

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2017**



**CITY OF LAGUNA BEACH, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

City Council:

Toni Iseman, Mayor  
Kelly Boyd, Mayor Pro Tem  
Steve Dicterow, 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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**TABLE OF CONTENTS**

	<u>Page Number</u>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	i
Organization Chart	vi
GFOA Award	vii
<b>FINANCIAL SECTION:</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	19
Balance Sheet	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	27
Statement of Net Position	28
Statement of Revenues, Expenses and Changes in Fund Net Position	29
Statement of Cash Flows	30
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities - Agency Funds	32
Notes to Basic Financial Statements	33

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2017**

**TABLE OF CONTENTS (CONTINUED)**

	<u>Page Number</u>
<b>FINANCIAL SECTION (CONTINUED):</b>	
Required Supplementary Information:	
Safety Plan:	
Schedule of Proportionate Share of the Net Pension Liability	83
Schedule of Contributions	84
Miscellaneous Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	85
Schedule of Contributions	86
Other-Post Employment Benefit Plan:	
Schedule of Funding Progress	87
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	88
Notes to Required Supplementary Information	91
Supplementary Information:	
General Fund:	93
Consolidating Balance Sheet by Sub-Fund	94
Consolidating Schedule of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund	96
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Measure LL Fund	98
Open Space Fund	99
Capital improvements Fund	100
Parking Authority Fund	101
Art In-Lieu Fund	102
Housing In-Lieu Fund	103
Transportation Infrastructure Fund	104
Major Capital Projects Fund:	105
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Assessment Districts Fund	106

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2017**

**TABLE OF CONTENTS (CONTINUED)**

	<u>Page Number</u>
<b>FINANCIAL SECTION (CONTINUED):</b>	
Supplementary Information (Continued):	
Nonmajor Governmental Funds:	107
Combining Balance Sheet	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	110
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Gas Tax Special Revenue Fund	112
Street Lighting District Special Revenue Fund	113
Asset Forfeiture Special Revenue Fund	114
Disaster Contingency Special Revenue Fund	115
Internal Service Funds:	117
Combining Statement of Net Position	118
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	119
Combining Statement of Cash Flows	120
Agency Funds:	123
Combining Statement of Fiduciary Assets and Liabilities	124
Statement of Changes in Fiduciary Assets and Liabilities	125

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2017**

**TABLE OF CONTENTS (CONTINUED)**

	<u>Page Number</u>
<b>STATISTICAL SECTION:</b>	
Financial Trends:	127
• Net Position by Component, Last Ten Fiscal Years	128
• Changes in Net Position, Last Ten Fiscal Years	130
• Fund Balances of Governmental Funds, Last Ten Fiscal Years	134
• Changes in Fund Balances of Governmental Funds, Last Ten Fiscal Years	136
Revenue Capacity:	138
• Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	139
• Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	140
• Principal Property Taxpayers, Current Fiscal Year and Nine Fiscal Years Ago	142
• Property Tax Levies and Collections, Last Ten Fiscal Years	143
Debt Capacity:	144
• Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	145
• Direct and Overlapping Debt	146
• Pledged Revenue Coverage, Last Ten Fiscal Years	147
• Legal Debt Margin Information, Last Ten Fiscal Years	148
Demographic and Economic Information:	150
• Demographic and Economic Statistics, Last Ten Fiscal Years	151
• Principal Employers, Last Fiscal Year	152
Operating Information:	153
• Full-Time City Employees by Function, Last Ten Fiscal Years	154
• Operating Indicators by Function, Last Ten Fiscal Years	156
• Capital Asset Statistics by Function, Last Ten Fiscal Years	158



## **INTRODUCTORY SECTION**

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December 28, 2017

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, 2017.

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 White Nelson Diehl Evans. 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, 2017, 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, 2017, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

### Profile of the Government

The City of Laguna Beach, incorporated in 1927, is located in southwest Orange County, approximately 55 miles southeast of Los Angeles. The City currently occupies a land area of 8.84 square miles and serves a population of roughly 23,000. The City is the home to the Pageant of the Masters and the Festival of the Arts. The City attracts more than six million visitors annually due to its 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 by a vote of a majority or supermajority 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 department level within the General Fund and at the fund level for special revenue, and capital projects funds; therefore, the legal level of budgetary control is at the department level.

Within the General Fund, an available fund balance of at least 20% of appropriations has been established as a reserve for contingencies. Budget-to-actual comparisons are provided in this financial report for each governmental fund for which an appropriated 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 somewhat mixed, as the United States awaits the outcomes of some initiatives and proposals that could affect the economy. For the nation, the near-term outlook is optimistic, anticipating a 3% growth in the economy, due to strong

equipment spending, a potential tax cut, and an uptick in consumer spending. However, by the end of the forecast horizon in 2019, growth could be running at a rate below 1.5%.

Moreover, the anticipated unemployment rate is expected to decline and drop below 4.0%.

For California, the forecast differs. The new tax bill may dampen the housing market, which will reduce economic growth. However, California's unemployment rate is also expected to continue to decline, likely falling to 4.6% by the end of 2019 according to the UCLA Anderson Economic Forecast.

The outlook for Orange County is similar. According to the June 2017 Chapman University Forecast, Orange County's job growth has been outpacing the nation but dropped sharply last year. Over the last five years, construction has been a significant economic driver in Orange County. It now appears that construction will experience little if any growth for the next several years. For 2017, job growth in Orange County is expected to grow 1.5% which is the slowest rate of growth since the recovery began in 2009.

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 primary revenue sources will continue to see gradual increases over the next year. However, in spite of these favorable economic trends, a conservative outlook is still warranted.

The City ended FY 2016-2017 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 6.72% increase over the prior fiscal year due to continued improvement in the local housing market and better than expected receipts in supplemental property taxes. Transient occupancy taxes (TOT), the City's second largest revenue source, experienced an increase of 17.8% over the prior year due to a 2% voter approval in Measure LL funding and an increase in visitors. Sales tax revenue, the third largest revenue source, experienced a decrease of 5.9% from the prior year; however a majority of the decrease is related to the final payment in the prior year 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 2016-2017 in good financial health. Total General Fund operating revenues exceeded operating expenditures by \$10. 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.

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, improve reserves, and take steps to mitigate increases in pension costs.

**Summary of Current Year Accomplishments.** Significant progress has been made on several of the City Council priorities including voter approval of Measure LL; completion of Anita/Street/Storm Drain Improvements; receiving a \$500,000 Californian River Parkway Grant, expanding the Fuel Modification program; and continued improvements of City facilities and infrastructure improvements. Other successes include: implementation of Nixle, a text message notification system, expansion of surveillance cameras, creating thirteen Public Service Announcements regarding Public Safety, a Neighborhood Trolley Pilot Program, 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:

- 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

**Unfunded Pension Liability:** One of the most significant challenges to the long-term fiscal stability of Laguna Beach is the unfunded pension obligations for city staff under the California Public Employees Retirement System (CalPERS). The City has consistently taken steps to mitigate increases in its pension cost using a combination of pay downs of its unfunded liability, employee cost-sharing, and prepayments to CalPERS. However, the recent decision by CalPERS to lower the rate of return assumptions on investment portfolio is anticipated to increase the City's employer contribution rate by 50% within five years, an increase that is expected to reach roughly \$3 million by FY 2021-22. The City Council understands the urgency of this issue and has already begun its review of new strategies that help address this issue.

**The lawsuit against Moulton Niguel Water District:** Moulton Niguel Water District (MNWD) owes over \$1.25 million in past due payments to South Orange County Wastewater Authority (SOCWA) for their share of previously approved capital repairs and maintenance to the South Orange County Wastewater Authority Coastal Treatment Plant. This issue affects Laguna Beach, and other South County communities, because capital repairs to the Coastal Treatment Plant and projects to prevent sewage spills may be delayed. These delays increase the potential for sewage spills at Aliso Beach affecting ocean water quality and the beaches in Laguna Beach, Emerald Bay, and Dana Point. Additionally, if MNWD does not pay, Laguna Beach ratepayers would pay more for the same level of service. In July 2017, the City of Laguna Beach, South Coast Water District, and Emerald Bay Service District filed a lawsuit against Moulton Niguel Water District for violating its contractual agreements and for payment of past due amounts. The City of Laguna Beach and other SOCWA agencies continue to hope for a swift resolution to this issue.

## Awards and Acknowledgements

Awards: The City has prepared a comprehensive annual financial report for fiscal year ended June 30, 2016. 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, 2016. This was the second consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments: The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division. We 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

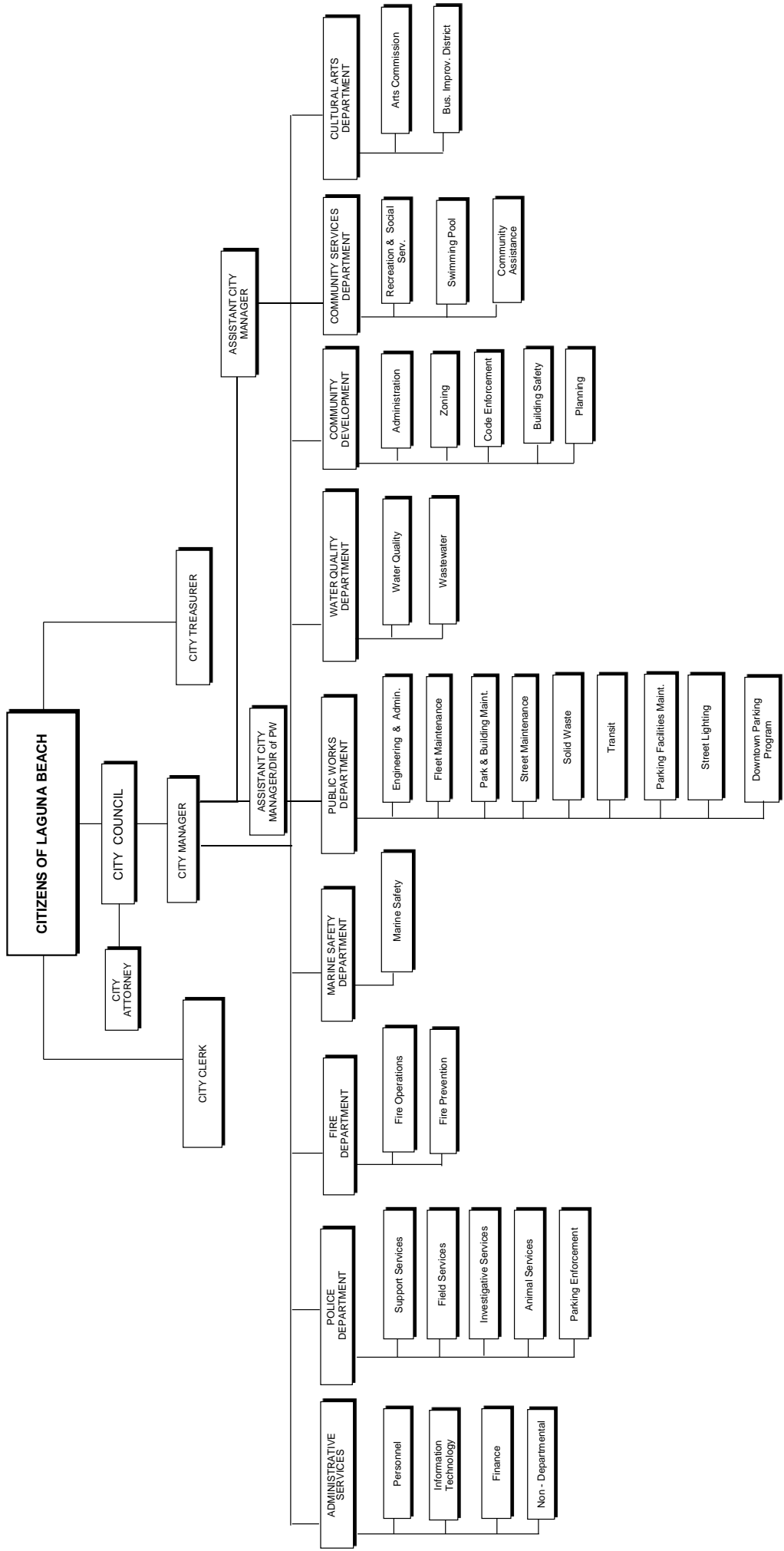


Gavin Curran  
Director of Administrative Services



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, 2016**

Executive Director/CEO

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Laguna Beach  
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 (the City), as of and for the year ended June 30, 2017, 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 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 basic 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 auditors consider internal control relevant to the City'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 City'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, 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, 2017, 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 19 to the financial statements, the net position of the governmental activities, business-type activities, Sewer Service Enterprise Fund, and Vehicle Replacement Internal Service Fund were restated as of July 1, 2016. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability - safety plan, the schedule of contributions - safety plan, the schedule of changes in the net pension liability and related ratios - miscellaneous plan, the schedule of contributions - miscellaneous plan, the schedule of funding progress - other post-employment benefit plan, and the schedule of revenues, expenditures and changes in fund balance - budget and actual for the general fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI 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 (supplementary information), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **Other Matters (Continued)**

### *Other Information (Continued)*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, 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.

*White Nelson Dick Evans LLP*

Irvine, California  
December 28, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Laguna Beach (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

### **Using the Accompanying Financial Statements**

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services, like public safety, were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the City's sewer service and transit system.
  - Fiduciary fund statements provide information about the fiduciary relationships – like the 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 basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that provides additional financial and budgetary information.

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

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

	Fund Statements			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Reconciliation to the balance sheet to the statement of net position</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> <li>• Reconciliation of the statement of revenues, expenditures and changes to fund balances to the statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
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 no measurement 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	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 106.3	\$ 103.8	\$ 4.0	\$ 5.5	\$ 110.3	\$ 109.3
Capital Assets	279.2	299.7	42.9	49.0	322.1	348.7
Total Assets	385.5	403.5	46.9	54.5	432.4	458.0
Deferred Outflows of Resources	16.4	7.5	0.9	0.4	17.3	7.9
Long-Term Debt Outstanding	64.5	54.2	5.9	5.9	70.4	60.1
Other Liabilities	8.5	9.3	0.8	1.0	9.3	10.3
Total Liabilities	73.0	63.5	6.7	6.9	79.7	70.4
Deferred Inflows of Resources	2.2	4.6	0.1	0.2	2.3	4.8
Net Position						
Net Investment in						
Capital Assets	279.2	299.7	39.7	45.5	318.9	345.2
Restricted	12.7	15.9	-	-	12.7	15.9
Unrestricted	35.0	27.3	1.3	2.3	36.3	29.6
Total Net Position	\$ 326.9	\$ 342.9	\$ 41.0	\$ 47.8	\$ 367.9	\$ 390.7

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 \$367.9 million as of June 30, 2017.

The largest portion of the City's net position, \$318.9 million (87%) 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 are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining 13% 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 \$12.7 million (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$36.3 million (10%) 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 decreased by \$22.8 million during the current fiscal year due to prior year restatement of capital assets. The net position of governmental activities decreased by \$16 million and business-type activities had a decrease of \$6.8 million.

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

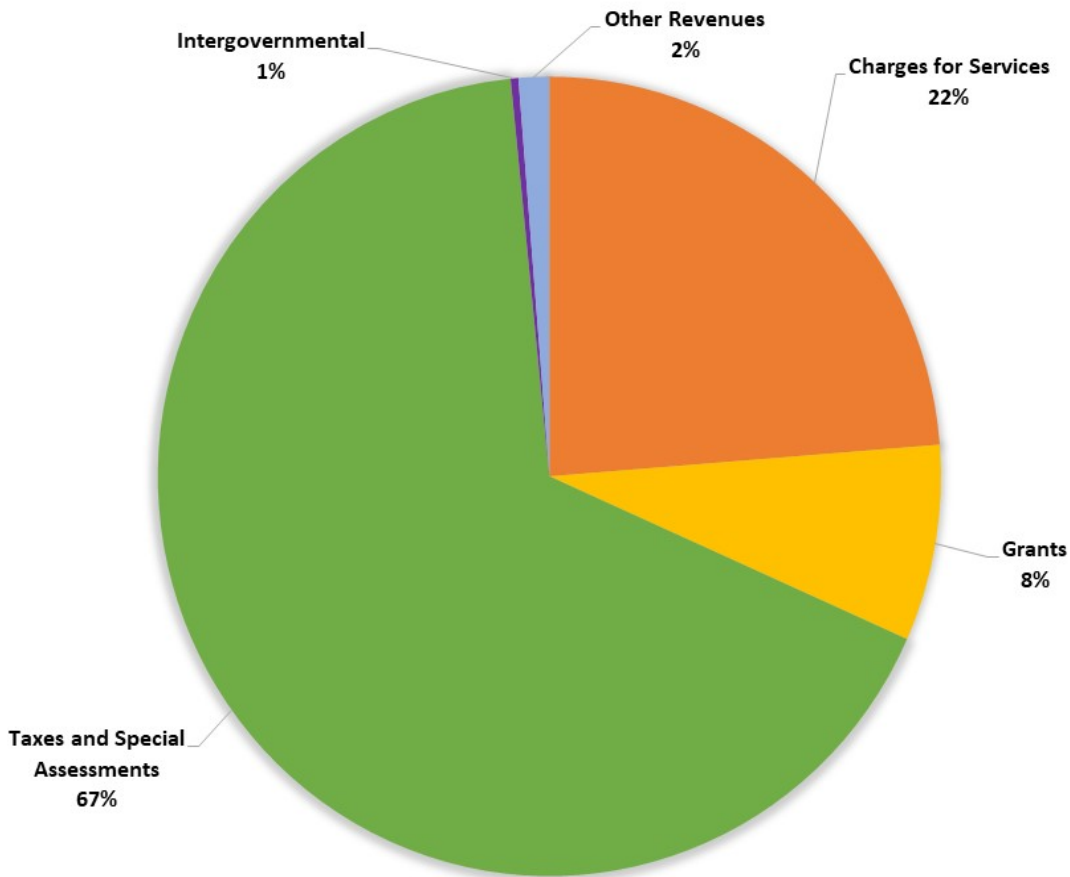
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$ 20,083	18,720	8,002	7,714	28,085	26,434
Operating Grants/Contributions	1,824	1,850	1,712	2,159	3,536	4,009
Capital Grants/Contributions	4,894	8,213	-	173	4,894	8,386
General Revenues						
Taxes and special assessments	56,480	52,603	-	-	56,480	52,603
Intergovernmental	267	206	-	-	267	206
Rental income	464	481	-	-	464	481
Investment income	36	1,259	18	37	54	1,296
Miscellaneous revenues	233	372	22	-	255	372
Gain (loss) on sale/disposal of capital assets	338	31	-	-	338	31
Total Revenues	<u>84,619</u>	<u>83,735</u>	<u>9,754</u>	<u>10,083</u>	<u>94,373</u>	<u>93,818</u>
Expenses:						
General government	6,156	4,962	-	-	6,156	4,962
Community development	5,066	5,098	-	-	5,066	5,098
Public safety	31,930	31,639	-	-	31,930	31,639
Public works	26,449	20,779	-	-	26,449	20,779
Recreation and social services	5,462	5,482	-	-	5,462	5,482
Municipal transit	-	-	3,137	2,977	3,137	2,977
Sewer Service	-	-	6,720	5,963	6,720	5,963
Total Expenses	<u>75,063</u>	<u>67,960</u>	<u>9,857</u>	<u>8,940</u>	<u>84,920</u>	<u>76,900</u>
Increase (Decrease) in Net Position Before Transfers	9,556	15,775	(103)	1,143	9,453	16,918
Transfers	(1,450)	(1,045)	1,450	1,045	-	-
Increase (Decrease) in Net Position	8,106	14,730	1,347	2,188	9,453	16,918
Net Position-Beginning, as restated	<u>318,779</u>	<u>328,203</u>	<u>39,717</u>	<u>45,650</u>	<u>358,496</u>	<u>373,853</u>
Net Position-Ending	<u>\$ 326,885</u>	<u>342,933</u>	<u>41,064</u>	<u>47,838</u>	<u>367,949</u>	<u>390,771</u>

The City’s total revenues were \$94.4 million while the total expenditures were \$84.9 million. Property taxes were the City’s largest revenue source at \$36.4 million (38.6% of total revenues and 43% of governmental revenues). Transient lodging taxes at \$12.7 million (13.5% of total revenues and 15% governmental revenues) and sales taxes, at \$6 million (6% of total revenues and 7% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes have increased approximately 6.7% due in part to higher than expected increases in supplemental taxes. The City’s sales taxes decreased approximately 5.9% due in majority to the final payment of the State of California “Triple Flip” in the prior fiscal year, and transient lodging taxes have increased approximately 17.8% over prior fiscal year due to a 2% voter approval in Measure LL funding and an increase in visitors.

**Governmental activities.** The governmental activities’ increase in net position of \$8.1 million activity accounted for 85.7% of the total growth in net position for the City this past year.

The following graph depicts the major revenue sources of the City. It depicts very clearly the reliance on taxes and special assessments to fund governmental activities.

**Revenues by Source – Governmental Activities**



General government expenses (including City Council, City Manager, City Attorney, City Clerk, City Treasurer and Administrative Services) were 8% of the total cost of governmental activities. Charges for services offset 18% of the cost of providing these services.

Community development expenditures were 7% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 80% of the cost of these activities.

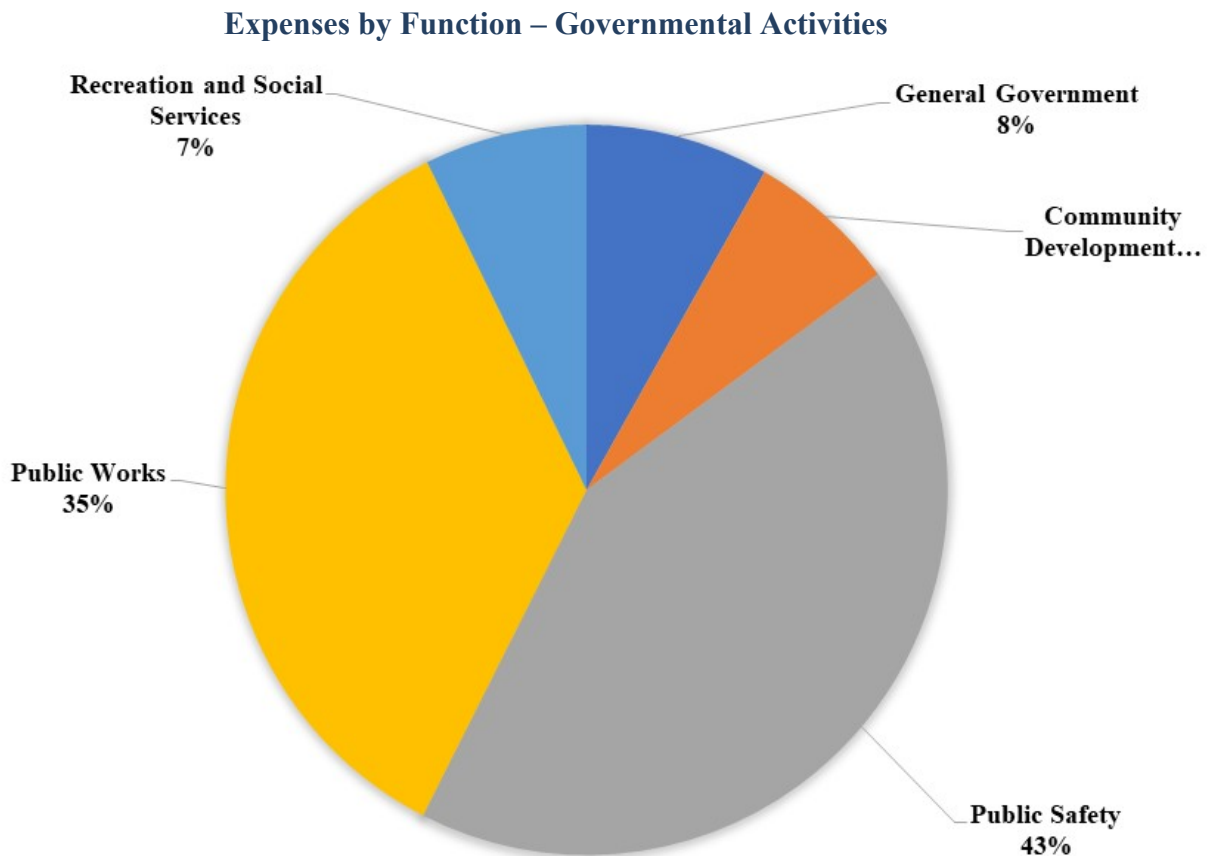


Public safety expenses comprised the largest component of governmental activities, approximately 43% of the total cost of governmental activities this past year. Charges for services, operating and capital grants, and contributions offset 7% of the cost of providing these services.

Public Works was the second largest governmental activity representing 35% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions helped to offset 44% of the cost of these activities.

Recreation and social services expenditures were 7% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions offset 143% of the cost of providing these services.

The governmental activities for each department, listed above, illustrates the net cost of each service. The net cost represents the extent to which governmental activities are subsidized by taxes and other general revenue for the City.



**Business-type activities.** Business-type activities of the City had an increase in net position of \$1.3 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. A significant portion of the \$1.3 million increase in net position was due to a reduction in depreciation expenses due to assets being fully depreciated in fiscal year 2016-17.

## 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, 2017, the governmental funds reported combined ending fund balances of \$80.1 million, an increase of \$3.3 million in comparison with the prior year. The City has \$51 thousand (0.06%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$12.6 million (15.7%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$7.3 million (9%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$40.1 million (50.1%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$20.1 million (25.1%) 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 \$6.2 million during the fiscal year ending June 30, 2017. In addition, reasons for changes in the revenues and expenditures of the City's General Fund from the prior year include:

- Revenues increased by \$3.2 million compared to the prior year, with \$2.2 million resulting from property taxes and \$1.9 million in transient occupancy taxes mainly due to a 2% voter approval of Measure LL funding. Sales tax revenue decreased by \$375 thousand mainly due to the final payment in the prior year of the State of California "Triple Flip."
- Expenditures increased \$2.5 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 Measure LL.

The City's other major special revenue fund is the Assessment District Fund.

- The Assessment District Fund, a Capital Projects Fund, has a total fund balance of \$1.1 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.

The unrestricted net position of the Municipal Transit Fund and Sewer Service Fund at the end of the fiscal year amounted to \$1.3 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 \$12.3 million, and significant items can be briefly summarized as follows:

- \$5.8 million increase in the budget for prior year carryover appropriations
- Adding \$850 thousand for labor negotiations and salary adjustments
- Adding \$525 thousand in legal fees
- Adding \$485 thousand for purchase of Replacement Capital Equipment
- Adding \$300 thousand toward the purchase of Open Land Space
- Adding \$300 thousand for additional wayfinding signage
- 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 \$2.3 million above final budgeted revenues for the year ended June 30, 2017. The favorable variance includes increases in property taxes, transient lodging taxes, construction permits and intergovernmental revenues which are reimbursements from other agencies.
- Total expenditures were under the budgeted amount by \$10.8 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	
	2017	2016 as Restated	2017	2016 as Restated	2017	2016 as Restated
Land	\$ 88,181,661	87,545,023	196,106	196,106	88,377,767	87,741,129
Buildings and Improvements	35,250,453	32,376,941	1,320,993	1,384,795	36,571,446	33,761,736
Office Equipment & Machinery	2,728,049	3,065,752	61,516	72,172	2,789,565	3,137,924
Furniture and Fixtures	1,727,348	1,740,166	44,344	47,066	1,771,692	1,787,232
Equipment Machinery & Tools	2,650,593	2,881,202	297,696	324,082	2,948,289	3,205,284
Sewer Plant and Lines	-		31,199,555	23,572,181	31,199,555	23,572,181
Capacity Rights	-		6,766,105	7,564,365	6,766,105	7,564,365
Automotive Equipment	2,870,197	3,117,989	2,614,807	2,497,469	5,485,004	5,615,458
Infrastructure	139,167,746	138,269,584	-	-	139,167,746	138,269,584
Construction in Progress	6,656,909	6,584,598	380,743	5,213,877	7,037,652	11,798,475
Total	<u>\$ 279,232,956</u>	<u>275,581,255</u>	<u>42,881,865</u>	<u>40,872,113</u>	<u>322,114,821</u>	<u>316,453,368</u>

The major changes to the capital assets during the year ended June 30, 2017, were completion of the renovations at the Festival of Arts; Oak Street beach stairs replacement; construction of storm drains at Anita Street and Sea view, purchase of land at Loma Terrace Drive, Third Street/Loma Terrace Sewer replacement, 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 4 to the financial statements. Restatements to the City’s capital assets can be found in note 19 in the notes to the financial statements.

**LONG-TERM DEBT**

	Long-Term Liabilities					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment Agreement	\$ -	-	3,130,810	3,531,805	3,130,810	3,531,805
Total	<u>\$ -</u>	<u>-</u>	<u>3,130,810</u>	<u>3,531,805</u>	<u>3,130,810</u>	<u>3,531,805</u>

The City’s total debt decreased by \$401 thousand (11.3%) 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**

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**CITY OF LAGUNA BEACH**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Water District
<b>ASSETS</b>				
Cash and investments	\$ 97,115,724	\$ 3,152,340	\$ 100,268,064	\$ 15,901,469
Receivables:				
Taxes	5,793,970	73,533	5,867,503	46,387
Accounts	347,972	83,427	431,399	1,595,533
Interest	37,777	-	37,777	67,820
Intergovernmental	247,461	737,595	985,056	-
Notes	1,009,229	-	1,009,229	199,245
Prepays	-	16,339	16,339	131,012
Inventory	51,539	-	51,539	249,392
Computer loans to employees	-	-	-	3,376
Property for housing program	1,743,653	-	1,743,653	-
Capital assets, not being depreciated	94,838,570	576,849	95,415,419	8,452,852
Capital assets, being depreciated	184,394,386	42,305,016	226,699,402	46,082,530
Total Assets	<u>385,580,281</u>	<u>46,945,099</u>	<u>432,525,380</u>	<u>72,729,616</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	<u>16,428,681</u>	<u>952,542</u>	<u>17,381,223</u>	<u>1,343,991</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	5,346,275	414,638	5,760,913	1,491,783
Deposits	66,009	-	66,009	53,723
Due to other government agencies	233,148	-	233,148	-
Unearned revenues	-	8,271	8,271	-
Noncurrent liabilities:				
Due within one year	2,773,930	424,490	3,198,420	710,301
Due in more than one year	64,541,368	5,890,597	70,431,965	8,058,228
Total Liabilities	<u>72,960,730</u>	<u>6,737,996</u>	<u>79,698,726</u>	<u>10,314,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	<u>2,162,237</u>	<u>96,070</u>	<u>2,258,307</u>	<u>471,633</u>
<b>NET POSITION</b>				
Net investment in capital assets	279,232,956	39,751,055	318,984,011	52,055,382
Restricted for:				
Capital projects	1,090,940	-	1,090,940	-
Parking in-lieu	904	-	904	-
Park in-lieu	518,737	-	518,737	-
Art in-lieu	222,234	-	222,234	-
Drainage	69,625	-	69,625	-
Housing in-lieu	641,766	-	641,766	-
Transportation infrastructure	723,666	-	723,666	-
Street lighting district	8,216,184	-	8,216,184	-
Street projects	1,091,237	-	1,091,237	-
Public safety	790	-	790	-
Unrestricted	35,076,956	1,312,520	36,389,476	11,232,557
Total Net Position	<u>\$ 326,885,995</u>	<u>\$ 41,063,575</u>	<u>\$ 367,949,570</u>	<u>\$ 63,287,939</u>

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Statement of Activities**  
**Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ 6,155,221	\$ 1,104,868	\$ -	\$ -	\$ 1,104,868
Community development	5,066,791	4,033,486	2,809	-	4,036,295
Public safety	31,929,625	1,448,493	830,269	-	2,278,762
Public works	26,449,618	9,936,897	872,357	763,696	11,572,950
Recreation and social services	5,461,800	3,559,566	118,150	4,130,872	7,808,588
Total Governmental Activities	<u>75,063,055</u>	<u>20,083,310</u>	<u>1,823,585</u>	<u>4,894,568</u>	<u>26,801,463</u>
Business-type Activities:					
Municipal transit	3,137,062	302,683	1,711,517	-	2,014,200
Sewer service	6,720,112	7,699,521	-	-	7,699,521
Total Business-type Activities	<u>9,857,174</u>	<u>8,002,204</u>	<u>1,711,517</u>	<u>-</u>	<u>9,713,721</u>
Total Primary Government	<u>\$ 84,920,229</u>	<u>\$ 28,085,514</u>	<u>\$ 3,535,102</u>	<u>\$ 4,894,568</u>	<u>\$ 36,515,184</u>
<b>Component Unit:</b>					
Water District	<u>\$ 12,281,332</u>	<u>\$ 9,566,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,566,741</u>

General Revenues:

Taxes:

Sales tax and 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, Beginning of Year, as restated

Net Position, End of Year

See accompanying notes to basic financial statements.



Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Water District
\$ (5,050,353)	\$ -	\$ (5,050,353)	\$ -
(1,030,496)	-	(1,030,496)	-
(29,650,863)	-	(29,650,863)	-
(14,876,668)	-	(14,876,668)	-
2,346,788	-	2,346,788	-
<u>(48,261,592)</u>	<u>-</u>	<u>(48,261,592)</u>	<u>-</u>
-	(1,122,862)	(1,122,862)	-
<u>-</u>	<u>979,409</u>	<u>979,409</u>	<u>-</u>
<u>-</u>	<u>(143,453)</u>	<u>(143,453)</u>	<u>-</u>
<u>(48,261,592)</u>	<u>(143,453)</u>	<u>(48,405,045)</u>	<u>-</u>
			<u>(2,714,591)</u>
6,000,084	-	6,000,084	-
12,670,071	-	12,670,071	-
36,391,079	-	36,391,079	2,809,617
1,201,149	-	1,201,149	-
217,433	-	217,433	-
266,698	-	266,698	257,152
463,868	-	463,868	407,144
35,817	18,087	53,904	91,250
338,126	-	338,126	-
233,893	21,895	255,788	-
<u>57,818,218</u>	<u>39,982</u>	<u>57,858,200</u>	<u>3,565,163</u>
<u>(1,449,674)</u>	<u>1,449,674</u>	<u>-</u>	<u>-</u>
8,106,952	1,346,203	9,453,155	850,572
<u>318,779,043</u>	<u>39,717,372</u>	<u>358,496,415</u>	<u>62,437,367</u>
<u>\$ 326,885,995</u>	<u>\$ 41,063,575</u>	<u>\$ 367,949,570</u>	<u>\$ 63,287,939</u>

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## **GOVERNMENTAL FUNDS**

### **MAJOR GOVERNMENTAL FUNDS**

#### **GENERAL FUND**

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

#### **CAPITAL PROJECTS FUNDS**

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

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

**ASSESSMENT DISTRICTS FUNDS** - Assessment District Funds are 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 Funds of the City.

**CITY OF LAGUNA BEACH**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

	General	Capital Projects Assessment Districts
<b>ASSETS</b>		
Cash and investments	\$ 66,572,080	\$ 1,298,259
Receivables:		
Taxes	5,776,719	-
Accounts	325,787	-
Interest	37,777	-
Intergovernmental	127,741	-
Notes	398,000	-
Inventory	51,539	-
Advances to other funds	-	-
	<u>\$ 73,289,643</u>	<u>\$ 1,298,259</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,262,515	\$ 192,819
Deposits	51,509	14,500
Due to other governmental agencies	233,148	-
Advances from other funds	5,215,231	-
	<u>9,762,403</u>	<u>207,319</u>
Fund Balances:		
Nonspendable	51,539	-
Restricted	2,176,142	1,090,940
Committed	1,045,330	-
Assigned	40,163,871	-
Unassigned	20,090,358	-
	<u>63,527,240</u>	<u>1,090,940</u>
Total Fund Balances	<u>\$ 73,289,643</u>	<u>\$ 1,298,259</u>
Total Liabilities and Fund Balances	<u>\$ 73,289,643</u>	<u>\$ 1,298,259</u>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 14,084,502	\$ 81,954,841
17,251	5,793,970
-	325,787
-	37,777
119,720	247,461
173,178	571,178
-	51,539
1,500,000	1,500,000
<u>\$ 15,894,651</u>	<u>\$ 90,482,553</u>

\$ 376,881	\$ 4,832,215
-	66,009
-	233,148
-	5,215,231
<u>376,881</u>	<u>10,346,603</u>

-	51,539
9,308,211	12,575,293
6,209,559	7,254,889
-	40,163,871
-	20,090,358
<u>15,517,770</u>	<u>80,135,950</u>
<u>\$ 15,894,651</u>	<u>\$ 90,482,553</u>

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**CITY OF LAGUNA BEACH**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2017**

Fund balances - total governmental funds	\$ 80,135,950
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity. This amount does not include \$3,184,972 of internal service fund net capital assets:	
Capital assets	386,414,408
Accumulated depreciation	(110,366,424)
Pension related debt applicable to City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effect only the government-wide statements for governmental activities:	
Net pension liability	(56,513,744)
Deferred outflows of resources related to pensions	16,428,681
Deferred inflows of resources related to pensions	(2,162,237)
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>12,949,361</u>
Net position of governmental activities	<u><u>\$ 326,885,995</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, 2017**

	General	Capital Projects Assessment Districts
Revenues:		
Taxes	\$ 55,254,719	\$ -
Licenses and permits	1,580,348	-
Fines and penalties	999,523	-
Investment income, net	(69,806)	36,756
Rental	463,868	-
Intergovernmental	1,275,927	-
Charges for services	8,508,729	-
Parking meters, lots, and permits	7,857,684	-
Development tax	310,117	-
Contributions from property owners	-	167,566
Other	525,086	119,521
	<u>76,706,195</u>	<u>323,843</u>
Expenditures:		
Current:		
General government	5,851,668	-
Community development	5,065,752	-
Public safety	30,351,932	-
Public works	12,967,701	-
Recreation and social services	4,770,513	-
Capital outlay	7,179,141	5,104,669
	<u>66,186,707</u>	<u>5,104,669</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,519,488</u>	<u>(4,780,826)</u>
Other Financing Sources (Uses):		
Transfers in	335,400	323,740
Transfers out	(4,613,570)	-
Proceeds from bond issuance	-	584,993
Sale of land and equipment	4,891	-
	<u>(4,273,279)</u>	<u>908,733</u>
Net Change in Fund Balances	6,246,209	(3,872,093)
Fund Balances, Beginning of Year	<u>57,281,031</u>	<u>4,963,033</u>
Fund Balances, End of Year	<u>\$ 63,527,240</u>	<u>\$ 1,090,940</u>

See accompanying notes to basic financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,954,824	\$ 57,209,543
-	1,580,348
2,033	1,001,556
68,867	35,817
-	463,868
509,928	1,785,855
-	8,508,729
-	7,857,684
-	310,117
-	167,566
-	644,607
2,535,652	79,565,690
-	5,851,668
-	5,065,752
-	30,351,932
1,082,139	14,049,840
-	4,770,513
1,211,861	13,495,671
2,294,000	73,585,376
241,652	5,980,314
1,085,000	1,744,140
(376,000)	(4,989,570)
-	584,993
-	4,891
709,000	(2,655,546)
950,652	3,324,768
14,567,118	76,811,182
\$ 15,517,770	\$ 80,135,950

**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, 2017**

Net change in fund balances - total governmental funds	\$ 3,324,768
Amounts reported for governmental activities in the Statement of Activities are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. This does not include internal service fund activity of \$1,018,457 in additions and \$592,073 in depreciation expense:</p>	
Depreciation expense	(7,082,057)
Purchases of capital assets recorded in governmental funds	6,189,425
Capital contributed by lessee	4,130,872
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Pension expense reported in the governmental funds includes the annual required contributions and excess payments. In the Statement of Activities, pension expense includes the change in the net pension liability, and the related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	1,377,068
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>166,876</u>
Change in net position of governmental activities	<u><u>\$ 8,106,952</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, 2017**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 874,877	\$ 2,277,463	\$ 3,152,340	\$ 15,160,883
Receivables:				
Taxes	-	73,533	73,533	-
Accounts	61,532	21,895	83,427	22,185
Intergovernmental	737,595	-	737,595	-
Prepays	16,339	-	16,339	-
Total Current Assets	<u>1,690,343</u>	<u>2,372,891</u>	<u>4,063,234</u>	<u>15,183,068</u>
Noncurrent Assets:				
Advances to other funds	-	-	-	3,715,231
Notes receivable	-	-	-	438,051
Property for housing program	-	-	-	1,743,653
Capital assets, not being depreciated	196,106	380,743	576,849	658,683
Capital assets, net of depreciation	3,163,036	39,141,980	42,305,016	2,526,289
Total Noncurrent Assets	<u>3,359,142</u>	<u>39,522,723</u>	<u>42,881,865</u>	<u>9,081,907</u>
Total Assets	<u>5,049,485</u>	<u>41,895,614</u>	<u>46,945,099</u>	<u>24,264,975</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	<u>158,757</u>	<u>793,785</u>	<u>952,542</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	90,494	324,144	414,638	514,060
Unearned revenue	8,271	-	8,271	-
Compensated absences, due within one year	2,282	10,265	12,547	726,439
Insurance claims payable, due within one year	-	-	-	2,047,491
I Bank installment agreement, due within one year	-	411,943	411,943	-
Total Current Liabilities	<u>101,047</u>	<u>746,352</u>	<u>847,399</u>	<u>3,287,990</u>
Noncurrent Liabilities:				
Compensated absences	9,127	41,061	50,188	2,905,755
Insurance claims payable	-	-	-	4,777,478
I Bank installment agreement	-	2,718,867	2,718,867	-
Net OPEB liability	-	-	-	344,391
Net pension liability	460,106	2,661,436	3,121,542	-
Total Noncurrent Liabilities	<u>469,233</u>	<u>5,421,364</u>	<u>5,890,597</u>	<u>8,027,624</u>
Total Liabilities	<u>570,280</u>	<u>6,167,716</u>	<u>6,737,996</u>	<u>11,315,614</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	<u>16,011</u>	<u>80,059</u>	<u>96,070</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,359,142	36,391,913	39,751,055	3,184,972
Unrestricted	<u>1,262,809</u>	<u>49,711</u>	<u>1,312,520</u>	<u>9,764,389</u>
Total Net Position	<u>\$ 4,621,951</u>	<u>\$ 36,441,624</u>	<u>\$ 41,063,575</u>	<u>\$ 12,949,361</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, 2017**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Operating Revenues:				
Passenger revenues	\$ 302,683	\$ -	\$ 302,683	\$ -
Vehicle rentals	-	-	-	1,287,847
Employee benefits charges	-	-	-	749,474
Insurance charges	-	-	-	9,724,728
Charges for services	-	7,699,521	7,699,521	-
<b>Total Operating Revenues</b>	<b>302,683</b>	<b>7,699,521</b>	<b>8,002,204</b>	<b>11,762,049</b>
Operating Expenses:				
Personnel services	1,958,708	1,401,478	3,360,186	-
Contractual services	175,362	2,418,256	2,593,618	-
Materials and supplies	462,337	1,047,823	1,510,160	-
Administration	273,270	20,635	293,905	144,722
Employee benefits	-	-	-	925,384
Insurance claims and premiums	-	-	-	12,049,062
Depreciation	267,385	1,746,598	2,013,983	592,073
<b>Total Operating Expenses</b>	<b>3,137,062</b>	<b>6,634,790</b>	<b>9,771,852</b>	<b>13,711,241</b>
<b>Operating Income (Loss)</b>	<b>(2,834,379)</b>	<b>1,064,731</b>	<b>(1,769,648)</b>	<b>(1,949,192)</b>
Nonoperating Revenues (Expenses):				
Investment income	-	18,087	18,087	-
Intergovernmental	1,711,517	-	1,711,517	-
Interest expense	-	(85,322)	(85,322)	-
Gain (loss) on disposal of capital assets	-	-	-	320,312
Other revenue	-	21,895	21,895	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,711,517</b>	<b>(45,340)</b>	<b>1,666,177</b>	<b>320,312</b>
<b>Income (Loss) Before Transfers</b>	<b>(1,122,862)</b>	<b>1,019,391</b>	<b>(103,471)</b>	<b>(1,628,880)</b>
Transfers:				
Transfers in	1,009,600	546,074	1,555,674	2,191,830
Transfers out	-	(106,000)	(106,000)	(396,074)
<b>Total Transfers</b>	<b>1,009,600</b>	<b>440,074</b>	<b>1,449,674</b>	<b>1,795,756</b>
<b>Change in Net Position</b>	<b>(113,262)</b>	<b>1,459,465</b>	<b>1,346,203</b>	<b>166,876</b>
Net Position, Beginning of Year, as restated	4,735,213	34,982,159	39,717,372	12,782,485
<b>Net Position, End of Year</b>	<b>\$ 4,621,951</b>	<b>\$ 36,441,624</b>	<b>\$ 41,063,575</b>	<b>\$ 12,949,361</b>

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 251,296	\$ 7,850,323	\$ 8,101,619	\$ -
Cash received from user departments	-	-	-	11,753,364
Cash payments to suppliers for goods and services	(927,231)	(3,668,343)	(4,595,574)	(11,726,331)
Cash payments to employees for services	(1,983,031)	(1,536,181)	(3,519,212)	(942,290)
 Net Cash Provided by (Used for)				
Operating Activities	(2,658,966)	2,645,799	(13,167)	(915,257)
 <b>Cash Flows from Noncapital Financing Activities:</b>				
Operating grant proceeds received	679,879	-	679,879	-
Cash received from other funds	1,009,600	546,074	1,555,674	2,191,830
Cash paid to other funds	-	(106,000)	(106,000)	(396,074)
Cash received from operating grants - TDA	1,264,060	-	1,264,060	-
Cash received for payment on advance to other funds	-	-	-	703,141
Cash received related to housing program	-	-	-	1,543,781
 Net Cash Provided by (Used for)				
Noncapital Financing Activities	2,953,539	440,074	3,393,613	4,042,678
 <b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of capital assets	-	(4,023,735)	(4,023,735)	(691,763)
Principal paid on long-term debt	-	(400,995)	(400,995)	-
Interest paid on long-term debt	-	(85,322)	(85,322)	-
 Net Cash Provided by (Used for)				
Capital and Related Financing Activities	-	(4,510,052)	(4,510,052)	(691,763)
 <b>Cash Flows from Investing Activities:</b>				
Interest received	-	18,087	18,087	-
 Net Cash Provided by Investing Activities	-	18,087	18,087	-
 Net Increase (Decrease) in Cash and Cash Equivalents	294,573	(1,406,092)	(1,111,519)	2,435,658
Cash and Cash Equivalents, Beginning of Year	580,304	3,683,555	4,263,859	12,725,225
Cash and Cash Equivalents, End of Year	\$ 874,877	\$ 2,277,463	\$ 3,152,340	\$ 15,160,883

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**  
**(Continued)**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ (2,834,379)	\$ 1,064,731	\$ (1,769,648)	\$ (1,949,192)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	267,385	1,746,598	2,013,983	592,073
Changes in assets and deferred outflows of resources:				
(Increase) decrease in accounts receivable	(59,658)	184,221	124,563	(8,685)
(Increase) decrease in taxes receivable	-	(33,419)	(33,419)	-
(Increase) decrease in prepaids	8,282	-	8,282	4,900
(Increase) decrease in deferred outflows of resources	(83,199)	(415,997)	(499,196)	-
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in accounts payable and accrued liabilities	(24,544)	(181,629)	(206,173)	(18,815)
Increase (decrease) in unearned revenue	8,271	-	8,271	-
Increase (decrease) in compensated absences payable	3,002	1,922	4,924	(1,537)
Increase (decrease) in insurance claims payable	-	-	-	481,368
Increase (decrease) in net OPEB liability	-	-	-	(15,369)
Increase (decrease) in net pension liability	74,497	372,484	446,981	-
Increase (decrease) in deferred inflows of resources	(18,623)	(93,112)	(111,735)	-
 Net Cash Provided by (Used for) Operating Activities	 <u>\$ (2,658,966)</u>	 <u>\$ 2,645,799</u>	 <u>\$ (13,167)</u>	 <u>\$ (915,257)</u>

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Agency Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2017**

**ASSETS**

Cash and investments	\$ 3,954,535
Investments with fiscal agent	686,460
Receivables:	
Taxes	<u>21,200</u>
Total Assets	<u><u>\$ 4,662,195</u></u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 66,542
Deposits	2,659,732
Due to bondholders	<u>1,935,921</u>
Total Liabilities	<u><u>\$ 4,662,195</u></u>

See accompanying notes to basic financial statements.



**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

***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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**B. Basis of Accounting and Measurement Focus (Continued)**

**Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. The effect of interfund activity has been removed from these statements. These statements include separate columns for the governmental and business-type activities of the primary government.

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

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

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as 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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

B. Basis of Accounting and Measurement Focus (Continued)

**Fund Financial Statements**

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

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

**Governmental Funds**

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

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

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

B. Basis of Accounting and Measurement Focus (Continued)

**Governmental Funds (Continued)**

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

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

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

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

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Premiums received on debt issuances are reported as *other financing sources* while discounts on debt issuance are reported as *other financing uses*. Amounts paid to reduce long-term indebtedness are reported as fund expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***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. Nonoperating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure. Agency funds are custodial in nature (assets equal liabilities) and, therefore, cannot be said to have a measurement focus. Agency funds 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.

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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

C. Fund Classifications (Continued)

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.

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

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

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

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

D. Encumbrances

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this system, encumbrances are recorded in the general, special revenue, and capital projects funds to represent purchase orders, contracts and other commitments. Encumbrances at year-end are reported 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, 2017 were \$3,252,100.

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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

E. Cash and Investments (Continued)

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains and losses realized upon the liquidation, maturity, or sale of investments.

F. 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.

G. Inventory

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

H. Prepays

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements and are recorded as expenditures 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.

CITY OF LAGUNA BEACH, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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

J. Capital Assets (Continued)

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

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

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% of full market value (at time of purchase) and can increase the property tax value base no more than 2% 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 and Sewer Service Enterprise Fund, and the Insurance and Employee Benefits Internal Service Fund. The majority of sick leave is paid out at a rate of one hour for every two hours banked and is, therefore, recorded 50% of the total leave balance. Vacation accruals have no such limitations and are recorded at 100% of the total leave balance.



**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

M. Net Position

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three captions. These captions apply only to net position, which is determined only at the government-wide level, proprietary funds, and fiduciary funds and are described below.

Net investment in capital assets - describe the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted - describe the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted - describes the portion of net position which is not restricted as to use.

N. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied, however it is at the Council's discretion.

O. Fund Balances

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

**Nonspendable Fund Balance**

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

**Spendable Fund Balances**

Restricted Fund Balance - This includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, enabling legislation, or creditors. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

O. Fund Balances (Continued)

**Spendable Fund Balances (Continued)**

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

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

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

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

P. General Fund Balance Policy

It is the policy of the City to maintain a minimum reserve in unassigned fund balance for unforeseen emergencies or catastrophic impacts upon the City, and whenever fiscally possible and financially prudent, to maintain a greater target reserve. The minimum reserve of the General Fund is 10% of General Fund operating expenditures (single fund, not combined General Fund) per the City's municipal code. However, the City Council has established a policy of a higher minimum reserve of 20%. Total expenditures were \$56,418,366 and the minimum reserve requirement was \$11,283,673. The City's General Fund (single fund, not combined) reported \$20,090,358 of unassigned fund balance as of June 30, 2017.

Q. 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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

R. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the net differences between projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to pensions for differences between actual contributions and proportionate share of contributions and changes in proportion. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for differences between actual contributions and proportionate share of contributions and changes in proportion. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

S. 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.

T. New GASB Pronouncements

**Current Year Standards**

*GASB 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*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016, and did not impact the City.

*GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, and did not impact the City.

*GASB 77 - Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015, and did not impact the City.

*GASB 79 - Certain External Investment Pools and Pool Participants*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the City.

*GASB 80 - Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the City.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

T. New GASB Pronouncements

**Pending Accounting Standards**

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

U. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 2 - CASH AND INVESTMENTS***

Cash and Investments

Cash and investments of the primary government as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments - governmental activities	\$ 97,115,724
Cash and investments - business-type activities	3,152,340

Statement of Fiduciary Assets and Liabilities:

Cash and investments	3,954,535
Investments with fiscal agent	<u>686,460</u>
Total cash and investments	<u>\$ 104,909,059</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand (petty cash and change funds)	\$ 5,600
Deposits with financial institutions	11,006,560
Cash held by bond fiscal agent	339,319
Investments	92,913,325
Investments held by bond fiscal agent	<u>644,255</u>
Total cash and investments	<u>\$ 104,909,059</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 2 - CASH AND INVESTMENTS (CONTINUED)***

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

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

<u>Investment Types Authorized by State Law or the City's Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
Municipal Bonds**	5 years	25%	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	25%	None
Commercial Paper	270 days	25%	5%
Certificates of Deposit	5 years	25%	N/A***
Medium-Term Corporate Notes	5 years	25%	5%
Bank Deposits	N/A	25%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65,000,000
Supranational Securities	5 years	5%	None

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

\*\*Includes City of Laguna Beach debt/bonds and may be authorized by City Council in excess of 5 years.

\*\*\*Allowed up to FDIC limit.

N/A - Not Applicable

Investments Authorized by Debt Agreements

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

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***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	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months*	
Federal Agency Securities	\$ 4,991,940	\$ 9,470,386	\$ 43,424,460	\$ -	\$ 57,886,786
Municipal Bonds	999,030	2,005,770	3,473,173	632,993	7,110,966
Local Agency Investment Fund	14,752,224	-	-	-	14,752,224
Medium-Term Notes	4,192,224	1,000,950	4,990,285	-	10,183,459
Supranational	999,600	-	1,980,290	-	2,979,890
Held by Bond Fiscal Agent:					
Local Agency Investment Fund	644,255	-	-	-	644,255
<b>Total</b>	<b>\$ 26,579,273</b>	<b>\$ 12,477,106</b>	<b>\$ 53,868,208</b>	<b>\$ 632,993</b>	<b>\$ 93,557,580</b>

\* - City Council has approved the investment in the City of Laguna Beach assessment district debt/bonds in the amount of \$632,993, which have maturities in excess of five years and are non-negotiable.

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.



**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

***NOTE 2 - CASH AND INVESTMENTS (CONTINUED)***

**Disclosures Relating to Credit Risk (Continued)**

Investment Type	Total	Minimum Legal Rating	S&P Ratings as of Year End					
			AAA	AA+	AA	AA-	A	Not Rated
Federal Agency Securities	\$ 57,886,786	N/A	\$ -	\$ 57,886,786	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	7,110,966	A*	-	-	831,054	5,646,919	-	632,993
Local Agency Investment Fund	14,752,224	N/A	-	-	-	-	-	14,752,224
Medium-Term Notes	10,183,459	A	988,150	1,005,230	-	5,077,805	3,112,274	-
Supranational	2,979,890	AA	2,979,890	-	-	-	-	-
Held by Bond Fiscal Agent:								
Local Agency Investment Fund	<u>644,255</u>	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>644,255</u>
Total	<u>\$ 93,557,580</u>		<u>\$ 3,968,040</u>	<u>\$ 58,892,016</u>	<u>\$ 831,054</u>	<u>\$ 10,724,724</u>	<u>\$ 3,112,274</u>	<u>\$ 16,029,472</u>

\* City of Laguna Beach debt/bonds in the amount of \$632,993 are exempt from the minimum legal rating.

**Concentration of Credit Risk**

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The investment policy of the City contains a 5% limitation on the amount that can be invested in any one issuer of Commercial Paper, Medium Term Notes and Municipal Bonds. The City has no investments in excess of these limitations. Investments in any one issuer (other than external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	\$ 19,630,155
Federal Home Loan Bank	Federal Agency Securities	7,850,076
Federal National Mortgage Association	Federal Agency Securities	18,779,270
Federal Home Loan Mortgage Corporation	Federal Agency Securities	10,621,636

**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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 2 - CASH AND INVESTMENTS (CONTINUED)***

Custodial Credit Risk (Continued)

The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Investment in State Investment Pool

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

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The California Local Agency Investment Fund is not insured or collateralized. The Fund is subject to regulatory oversight by the State of California Treasurer, although it is not registered with the SEC. Deposits and withdrawals to and from LAIF are made on the basis of \$1 and not at fair value. According, under the fair value hierarchy, the investment with LAIF is uncategorized.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

***NOTE 2 - CASH AND INVESTMENTS (CONTINUED)***

Fair Value Measurements (Continued)

The City has the following recurring fair value measurements as of June 30, 2017:

	<u>Fair Value</u>	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>
Investment Type (Subject to Hierarchy):				
Federal Agency Securities	\$ 57,886,786	\$ -	\$ 57,886,786	\$ -
Municipal Bonds	7,110,966	-	6,477,973	632,993
Medium-Term Notes	10,183,459	-	10,183,459	-
Supranational	<u>2,979,890</u>	-	<u>2,979,890</u>	-
Total Subject to Hierarchy	78,161,101	<u>\$ -</u>	<u>\$ 77,528,108</u>	<u>\$ 632,993</u>
Uncategorized (Not Subject to Hierarchy):				
Local Agency Investment Fund	14,752,224			
Held by Bond Fiscal Agent:				
Local Agency Investment Fund	<u>644,255</u>			
Total Investment Portfolio	<u>\$ 93,557,580</u>			

***NOTE 3 - INTERFUND ACTIVITY***

Advances

Interfund balances at June 30, 2017 consisted of the following:

<u>Advances to Other Funds (Receivable)</u>	<u>Advances from Other Funds (Payable)</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 3,015,231
Internal Service Fund	General Fund	700,000
Nonmajor Governmental Funds	General Fund	<u>1,500,000</u>
		<u>\$ 5,215,231</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%. The amount paid in FY 2016-2017 was principal of \$703,141 and interest of \$153,937 and was eliminated on the Statement of Activities. The principal payment schedule from the general fund is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017 - 2018	\$ 722,723
2018 - 2019	742,850
2019 - 2020	763,538
2020 - 2021	784,802
2021 - 2022	806,858
2022 - 2024	<u>1,394,460</u>
Total	<u>\$ 5,215,231</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 - INTERFUND ACTIVITY (CONTINUED)**

Transfers

Interfund transfers at June 30, 2017 consisted of the following:

<u>Transfer In</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Service Enterprise Fund</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 229,400	\$ 106,000	\$ -	\$ 335,400
Assessment Districts Capital Projects Fund	177,140	146,600	-	-	323,740
Non-Major Governmental Fund	1,085,000	-	-	-	1,085,000
Municipal Transit Enterprise Fund	1,009,600	-	-	-	1,009,600
Sewer Service Enterprise Fund	150,000	-	-	396,074	546,074
Internal Service Funds	<u>2,191,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,191,830</u>
	<u>\$ 4,613,570</u>	<u>\$ 376,000</u>	<u>\$ 106,000</u>	<u>\$ 396,074</u>	<u>\$ 5,491,644</u>

Transfers were used to:

1. Transfers from the Asset Forfeiture Special Revenue Nonmajor Fund to the General Fund in the amount of \$101,000 were for the City's 800 MHZ Project and \$128,400 were for funding expenditures related to the Police Lobby Renovation.
2. Transfers from the Sewer Fund to the General Fund in the amount of \$106,000 were for expenditures related to repairs to sewer lines as part of the Anita Storm Drain Project.
3. Transfers from the General Fund to the Street Lighting District Special Revenue Nonmajor Fund in the amount of \$895,000 were for expenditures related to the Laguna Canyon Road Project and \$190,000 were for expenditures related to the Utility Undergrounding Project.
4. Transfers from the General Fund and Street Lighting District Special Revenue Nonmajor Fund to the Assessment Districts Capital Projects Fund in the amounts of \$177,140 and \$146,600, respectively, were for the Millagin Bridge Improvements Assessment District.
5. Transfers from the General Fund to the Sewer Service Enterprise Fund in the amount of \$150,000 were for expenditures related to DeWitt Property Project.
6. Transfers from the General Fund to the Municipal Transit Enterprise Fund in the amount of \$47,000 were for expenditures related to the lease of two additional trolleys, \$855,500 to cover the balance of operating and capital expenses not funded from grants and other revenues, and \$107,100 were for expenditures related to an Equipment Mechanic position.
7. Transfers from the Internal Services Funds to the Sewer Service Enterprise Fund in the amount of \$396,074 were for the purchase of a utility truck.
8. Transfers from the General Fund to the Internal Service Funds in the amount of \$1,500,000 were to fund the increase in insurance claims submitted to the City, \$500,000 were for future vehicle replacement, and \$191,830 were to fund the increase in compensated absences.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance at July 1, 2016, as restated	Additions	Deletions/ Transfers	Balance at June 30, 2017
<u>Governmental Activities</u>				
Capital assets, not depreciated:				
Land	\$ 87,545,023	\$ 636,638	\$ -	\$ 88,181,661
Construction in progress	<u>6,584,598</u>	<u>5,274,521</u>	<u>(5,202,210)</u>	<u>6,656,909</u>
 Total capital assets, not depreciated	 <u>94,129,621</u>	 <u>5,911,159</u>	 <u>(5,202,210)</u>	 <u>94,838,570</u>
Capital assets, being depreciated:				
Buildings and improvements	55,912,945	4,448,791	-	60,361,736
Office equipment and machinery	6,626,788	305,510	-	6,932,298
Furniture and fixtures	2,199,610	22,473	-	2,222,083
Equipment, machinery, and tools	5,504,164	209,593	-	5,713,757
Automotive equipment	8,072,843	359,774	(214,362)	8,218,255
Infrastructure	<u>211,600,484</u>	<u>5,283,664</u>	<u>-</u>	<u>216,884,148</u>
 Total capital assets, being depreciated	 <u>289,916,834</u>	 <u>10,629,805</u>	 <u>(214,362)</u>	 <u>300,332,277</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,536,004)	(1,575,279)	-	(25,111,283)
Office equipment and machinery	(3,561,036)	(643,213)	-	(4,204,249)
Furniture and fixtures	(459,444)	(35,291)	-	(494,735)
Equipment, machinery, and tools	(2,622,962)	(440,202)	-	(3,063,164)
Automotive equipment	(4,954,854)	(594,643)	201,439	(5,348,058)
Infrastructure	<u>(73,330,900)</u>	<u>(4,385,502)</u>	<u>-</u>	<u>(77,716,402)</u>
 Total accumulated depreciation	 <u>(108,465,200)</u>	 <u>(7,674,130)</u>	 <u>201,439</u>	 <u>(115,937,891)</u>
 Total capital assets, being depreciated, net	 <u>181,451,634</u>	 <u>2,955,675</u>	 <u>(12,923)</u>	 <u>184,394,386</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 275,581,255</u>	 <u>\$ 8,866,834</u>	 <u>\$(5,215,133)</u>	 <u>\$ 279,232,956</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Balance at</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at</u> <u>June 30, 2017</u>
<u>Municipal Transit Enterprise Fund</u>				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
 Total capital assets, not depreciated	 196,106	 -	 -	 196,106
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	 7,206,805	 -	 -	 7,206,805
Less accumulated depreciation for:				
Buildings and improvements	(565,056)	(62,868)	-	(627,924)
Office equipment and machinery	(49,331)	(1,600)	-	(50,931)
Furniture and fixtures	(1,500)	-	-	(1,500)
Equipment, machinery, and tools	(27,963)	-	-	(27,963)
Automotive equipment	(3,132,534)	(202,917)	-	(3,335,451)
 Total accumulated depreciation	 (3,776,384)	 (267,385)	 -	 (4,043,769)
 Total capital assets, being depreciated, net	 3,430,421	 (267,385)	 -	 3,163,036
 Municipal Transit Enterprise Fund Capital Assets, Net	 \$ 3,626,527	 \$ (267,385)	 \$ -	 \$ 3,359,142

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	Balance at July 1, 2016, as restated	Additions	Deletions/ Transfers	Balance at June 30, 2017
<u>Sewer Service Enterprise Fund</u>				
Capital assets, not depreciated:				
Construction in progress	\$ 5,213,877	\$ 3,459,281	\$(8,292,415)	\$ 380,743
 Total capital assets, not depreciated	 5,213,877	 3,459,281	 (8,292,415)	 380,743
Capital assets, being depreciated:				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	499,513	3,628	-	503,141
Furniture and fixtures	53,015	-	-	53,015
Equipment, machinery, and tools	507,681	9,922	-	517,603
Automotive equipment	1,119,437	396,074	-	1,515,511
Sewer plant and lines	43,072,655	8,447,245	-	51,519,900
Capacity rights	29,678,016	-	-	29,678,016
 Total capital assets, being depreciated	 74,958,359	 8,856,869	 -	 83,815,228
Less accumulated depreciation for:				
Buildings and improvements	(26,584)	(934)	-	(27,518)
Office equipment and machinery	(437,155)	(12,684)	-	(449,839)
Furniture and fixtures	(5,949)	(2,722)	-	(8,671)
Equipment, machinery, and tools	(183,599)	(36,308)	-	(219,907)
Automotive equipment	(659,238)	(75,819)	-	(735,057)
Sewer plant and lines	(19,500,474)	(819,871)	-	(20,320,345)
Capacity rights	(22,113,651)	(798,260)	-	(22,911,911)
 Total accumulated depreciation	 (42,926,650)	 (1,746,598)	 -	 (44,673,248)
 Total capital assets, being depreciated, net	 32,031,709	 7,110,271	 -	 39,141,980
 Sewer Service Enterprise Fund Capital Assets, Net	 \$ 37,245,586	 \$ 10,569,552	 \$(8,292,415)	 \$ 39,522,723

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	Balance at July 1, 2016, as restated	Additions	Deletions/ Transfers	Balance at June 30, 2017
<u>Total Business-type Activities</u>				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	<u>5,213,877</u>	<u>3,459,281</u>	<u>(8,292,415)</u>	<u>380,743</u>
Total capital assets, not depreciated	<u>5,409,983</u>	<u>3,459,281</u>	<u>(8,292,415)</u>	<u>576,849</u>
Capital assets, being depreciated:				
Buildings and improvements	1,976,435	-	-	1,976,435
Office equipment and machinery	558,658	3,628	-	562,286
Furniture and fixtures	54,515	-	-	54,515
Equipment, machinery, and tools	535,644	9,922	-	545,566
Automotive equipment	6,289,241	396,074	-	6,685,315
Sewer plant and lines	43,072,655	8,447,245	-	51,519,900
Capacity rights	<u>29,678,016</u>	<u>-</u>	<u>-</u>	<u>29,678,016</u>
Total capital assets, being depreciated	<u>82,165,164</u>	<u>8,856,869</u>	<u>-</u>	<u>91,022,033</u>
Less accumulated depreciation for:				
Buildings and improvements	(591,640)	(63,802)	-	(655,442)
Office equipment and machinery	(486,486)	(14,284)	-	(500,770)
Furniture and fixtures	(7,449)	(2,722)	-	(10,171)
Equipment, machinery, and tools	(211,562)	(36,308)	-	(247,870)
Automotive equipment	(3,791,772)	(278,736)	-	(4,070,508)
Sewer plant and lines	(19,500,474)	(819,871)	-	(20,320,345)
Capacity rights	<u>(22,113,651)</u>	<u>(798,260)</u>	<u>-</u>	<u>(22,911,911)</u>
Total accumulated depreciation	<u>(46,703,034)</u>	<u>(2,013,983)</u>	<u>-</u>	<u>(48,717,017)</u>
Total capital assets, being depreciated, net	<u>35,462,130</u>	<u>6,842,886</u>	<u>-</u>	<u>42,305,016</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 40,872,113</u>	<u>\$ 10,302,167</u>	<u>\$(8,292,415)</u>	<u>\$ 42,881,865</u>



**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

General government	\$ 267,474
Community development	44,381
Public safety	801,089
Public works	5,361,847
Recreation and social services	607,266
Internal service funds	<u>592,073</u>
Total	<u>\$ 7,674,130</u>

Depreciation expense was charged to the following functions of business-type activities in the Statement of Activities:

Municipal transit	\$ 267,385
Sewer service	<u>1,746,598</u>
Total	<u>\$ 2,013,983</u>

**NOTE 5 - CONSTRUCTION COMMITMENTS**

As of June 30, 2017, contract commitments for major capital projects included the following:

Description	Project Contract	Expenditures to Date	Unexpended Balance
Burn Dump Restoration	\$ 4,759,908	\$ 4,527,342	\$ 232,566
479 Ocean Avenue Renovation	550,000	4,423	545,577
Temple Hills Pedestrian Improvements	718,100	91,218	626,882
Stairs Replacement - Thalia and Beach	1,065,000	250,603	814,397
South Main Beach Restroom Design	700,000	96,253	603,747
Anita Beach Stairs Replacement	700,000	21,532	678,468
Recreation Building Renovation	738,600	29,822	708,778
Laguna Canyon Channel Rehabilitation	2,136,042	387,244	1,748,798
Creek Erosion Protection	1,249,000	278,401	970,599
Parks Rehabilitation-Moulton, Alta, Lang	3,687,000	1,773,740	1,913,260
Village Entrance Project	<u>14,521,772</u>	<u>7,596,773</u>	<u>6,924,999</u>
	<u>\$ 30,825,422</u>	<u>\$ 15,057,351</u>	<u>\$ 15,768,071</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

***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 self insured retention with a \$43,000,000 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 \$6,824,969 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2017. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2017 and 2016 were as follows:

	2017	2016
Beginning of year liability	\$ 6,343,601	\$ 2,911,484
Current year claims an changes in estimates	4,084,239	7,481,661
Claims payments	(3,602,871)	(4,049,544)
Insurance claims payable	\$ 6,824,969	\$ 6,343,601

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, 2017**

***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, 2017, special assessment debt outstanding was:

<u>District</u>	<u>Principal Outstanding June 30, 2017</u>
AD 09-1	\$ 5,035,000
RAD 12-1	1,265,000
AD 13-1	601,587
AD 13-6	440,100
RAD 14-3	1,454,762
AD 15-2	192,900
Total	<u>\$ 8,989,349</u>

***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, 2017, 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, 2017. The minimum future rental payments under this lease are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 26,400
2019	<u>26,400</u>
Total	<u>\$ 52,800</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017:

	Balance			Balance		
	July 1, 2016	Additions	Deletions	June 30, 2017	Due Within One Year	Due in More Than One Year
<b>Governmental Activities:</b>						
Net OPEB liability	\$ 359,760	\$ 148,062	\$ (163,431)	\$ 344,391	\$ -	\$ 344,391
Compensated absences	3,633,731	1,816,866	(1,818,403)	3,632,194	726,439	2,905,755
Insurance claims payable	<u>6,343,601</u>	<u>4,084,239</u>	<u>(3,602,871)</u>	<u>6,824,969</u>	<u>2,047,491</u>	<u>4,777,478</u>
Total Governmental Activities	<u>\$ 10,337,092</u>	<u>\$ 6,049,167</u>	<u>\$ (5,584,705)</u>	<u>\$ 10,801,554</u>	<u>\$ 2,773,930</u>	<u>\$ 8,027,624</u>
<b>Business-type Activities:</b>						
Municipal Transit Fund:						
Compensated absences	<u>\$ 7,909</u>	<u>\$ 15,818</u>	<u>\$ (12,318)</u>	<u>\$ 11,409</u>	<u>\$ 2,282</u>	<u>\$ 9,127</u>
Total Municipal Transit Fund	<u>7,909</u>	<u>15,818</u>	<u>(12,318)</u>	<u>11,409</u>	<u>2,282</u>	<u>9,127</u>
Sewer Service Fund:						
Compensated absences	49,404	24,702	(22,780)	51,326	10,265	41,061
I-Bank installment agreement	<u>3,531,805</u>	<u>-</u>	<u>(400,995)</u>	<u>3,130,810</u>	<u>411,943</u>	<u>2,718,867</u>
Total Sewer Service Fund	<u>3,581,209</u>	<u>24,702</u>	<u>(423,775)</u>	<u>3,182,136</u>	<u>422,208</u>	<u>2,759,928</u>
Total Business-type Activities	<u>\$ 3,589,118</u>	<u>\$ 40,520</u>	<u>\$ (436,093)</u>	<u>\$ 3,193,545</u>	<u>\$ 424,490</u>	<u>\$ 2,769,055</u>

For long term liabilities, such as claims payable, compensated absences, and the net OPEB obligation 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% 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, 2017, 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, 2017, the outstanding principal amount was \$3,130,810. Total revenue available for debt service was \$7,699,521 and total debt service, including interest, was \$491,941.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)***

I-Bank Installment Sale Agreement (Continued)

The annual payment amounts required to retire the Sales Agreement as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2018	\$ 411,943	\$ 79,848	\$ 491,791
2019	423,189	68,449	491,638
2020	434,742	56,738	491,480
2021	446,610	44,707	491,317
2022	458,803	32,348	491,151
2023 - 2024	<u>955,523</u>	<u>26,261</u>	<u>981,784</u>
	<u>\$ 3,130,810</u>	<u>\$ 308,351</u>	<u>\$ 3,439,161</u>

***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 2016-17, age-adjusted premiums contributed by the City totaled \$163,431.

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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)***

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$ 147,969
Interest on net OPEB obligation	14,390
Adjustments to annual required contribution	<u>(14,297)</u>
Annual OPEB cost (expense)	148,062
Contributions made (including premiums paid)	<u>(163,431)</u>
Decrease in net OPEB obligation	(15,369)
Net OPEB obligation - beginning of year	<u>359,760</u>
 Net OPEB obligation - end of year	 <u><u>\$ 344,391</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2015	\$ 168,072	83%	\$ 315,443
06/30/2016	167,571	74%	359,760
06/30/2017	148,062	110%	344,391

Funded Status and Funded Progress

The funded status of the plan as of the most recent valuation date (July 1, 2016) is as follows:

Actuarial accrued liability (AAL)	\$ 2,041,569
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 2,041,569</u></u>
 Funded ratio (actuarial value of plan assets/AAL)	 0%
 Covered payroll (active plan members)	 \$ 22,144,469
 UAAL as a percentage of covered payroll	 9.22%

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)***

Funded Status and Funded Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear 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% 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 6% initially, reduced by a decrement of 1% per year to an ultimate rate of 5% in 2017 and later. The general inflation rate assumed was 4% per year. The UAAL is being amortized as a level percentage of projected payroll over an open period of 30 years. It is assumed the City's payroll will increase 3% per year.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 - FUND BALANCES**

Fund balances are classified as follows:

	General Fund*	Major Fund Assessment Districts Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$ 51,539	\$ -	\$ -	\$ 51,539
Total Nonspendable	<u>51,539</u>	<u>-</u>	<u>-</u>	<u>51,539</u>
Restricted:				
Parking in-lieu	904	-	-	904
Park in-lieu	518,737	-	-	518,737
Art in-lieu	222,234	-	-	222,234
Drainage	69,625	-	-	69,625
Housing in-lieu	640,976	-	-	640,976
Transportation infrastructure	723,666	-	-	723,666
Street lighting district	-	-	8,216,184	8,216,184
Gas tax	-	-	1,091,237	1,091,237
Public safety	-	-	790	790
Assessment districts improvements	-	1,090,940	-	1,090,940
Total Restricted	<u>2,176,142</u>	<u>1,090,940</u>	<u>9,308,211</u>	<u>12,575,293</u>
Committed:				
Solid waste	192,825	-	-	192,825
Measure LL	852,505	-	-	852,505
Repair of public facilities and natural disaster	-	-	6,209,559	6,209,559
Total Committed	<u>1,045,330</u>	<u>-</u>	<u>6,209,559</u>	<u>7,254,889</u>
Assigned:				
Open space	2,465,754	-	-	2,465,754
Parking authority	15,170,542	-	-	15,170,542
Capital projects	22,527,575	-	-	22,527,575
Total Assigned	<u>40,163,871</u>	<u>-</u>	<u>-</u>	<u>40,163,871</u>
Unassigned <sup>†</sup>	<u>20,090,358</u>	<u>-</u>	<u>-</u>	<u>20,090,358</u>
Total Fund Balance	<u>\$ 63,527,240</u>	<u>\$ 1,090,940</u>	<u>\$ 15,517,770</u>	<u>\$ 80,135,950</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, Capital Improvements, and Measure LL.

<sup>†</sup>See footnote 1P for the General Fund Balance Reserve Policy.



**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

***NOTE 13 - SEWAGE TREATMENT FACILITIES***

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

The governing board is comprised of one member from each participating agency and is responsible for the selection of management and for the budgeting and financial management of the Agency. As of June 30, 2016, (the most recent information available), SOCWA had total assets and deferred outflows of resources of \$124,686,188, total liabilities and deferred inflows or resources of \$16,075,850, and total equity of \$108,610,338. A separate financial report may be obtained from the South Orange County Wastewater Authority, 34156 Del Obispo Street, Dana Point, California 92629.

The City's share of ownership varies by year depending upon the purchased capacities of each subsystem. Each member is responsible for its share of maintenance and operations costs proportional to its purchased capacity which is billed to each member by SOCWA. Sewer service charges are assessed to fund these and other operating costs. The City paid \$2,243,805 and \$1,599,789 for its share of operating and capital costs, respectively, during the fiscal year.

Working in partnership with SOCWA, in prior years the City expanded capacity in certain treatment plants and constructed a pumping station. The City's participation in these projects has been capitalized through sewer plant and lines and capacity rights in the City's sewer funds.

***NOTE 14 - 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, 2017 is presented below:

	Safety Plan	Miscellaneous Plan	Total
Deferred Outflows - Pensions	\$ 9,443,371	\$ 7,937,852	\$ 17,381,223
Net Pension Liability	(33,497,317)	(26,137,969)	(59,635,286)
Deferred Inflows - Pensions	(1,457,714)	(800,593)	(2,258,307)
Pension Expense	4,267,010	2,499,692	6,766,702

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

General Information about the Pension Plans

**Plan Descriptions**

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

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

**General Information about the Pension Plans (Continued)**

The Plans' provisions and benefits in effect at June 30, 2017, 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 eligible compensation	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.500%
Required employer contribution rates:			
Normal cost rate	19.536%	17.689%	12.082%
Payment of unfunded liability	\$ 672,674	\$ -	\$ -

	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 eligible compensation	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.500%
Required employer contribution rates:			
Normal cost rate	19.536%	17.689%	12.082%
Payment of unfunded liability	\$ 554,387	\$ -	\$ 1,008

	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 eligible compensation	3.0%	N/A	2.7%
Required employee contribution rates	9%	N/A	11.500%
Required employer contribution rates:			
Normal cost rate	17.689%	N/A	12.082%
Payment of unfunded liability	\$ 47,153	N/A	\$ -

	Tier 1	Tier 2	Tier 3
Applies to:	Police Safety employees hired on or before April 2, 2012, Fire Safety employees hired on or before October 3, 2011, and Lifeguard Safety employees hired before January 1, 2013	Police Safety employees hired on or 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, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

General Information about the 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	20.478%	5.89%

**Employees Covered**

As of June 30, 2015, 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	202
Inactive employees entitled to but not yet receiving benefits	119
Active employees	153
Total	474

**Contributions**

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

General Information about the Pension Plans (Continued)

**Contributions (Continued)**

Contributions to the pension plans totaled \$4,445,511 for the Safety Plan and \$3,865,941 for the Miscellaneous Plan, including contributions by Safety Plans as follows, for the year ended June 30, 2017:

	Safety			Total
	Police	Fire	Lifeguard	
Contributions - employer	\$ 2,279,332	\$ 1,950,820	\$ 215,359	\$ 4,445,511

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, 2017, 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	\$ 33,497,317

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

**Proportionate Share of Net Pension Liability - Safety Plan (Continued)**

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2015 and 2016 was as follows:

	<u>Safety</u>
Proportion - June 30, 2015	0.64916%
Proportion - June 30, 2016	0.64676%
Change - Increase (Decrease)	<u><u>-0.00240%</u></u>

**Actuarial Assumptions**

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	<u>Safety</u>		
	<u>Police</u>	<u>Fire</u>	<u>Lifeguard</u>
Valuation Date	June 30, 2015	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016	June 30, 2016
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		
Mortality Rate Table	(1)	(1)	(1)
Post Retirement Benefit Increase	(2)	(2)	(2)

- (1) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.
- (2) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

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

**Actuarial Assumptions (Continued)**

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table	(1)
Post Retirement Benefit Income	(2)

- (1) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.
- (2) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**Changes of Assumptions**

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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.



**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

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

**Discount Rate (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	Target Allocation	Real Rate of Return 1 - 10 Years (a)	Real Rate of Return 11+ Years (b)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Qssets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

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

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

**Subsequent Events**

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

**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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

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

**Changes in the Net Pension Liability - Miscellaneous Plan (Continued)**

The total Net Pension Liability for the City's Miscellaneous Plan as of June 30, 2017 was \$26,137,969. The changes in the Net Pension Liability for the Miscellaneous Plan follows:

**Miscellaneous Plan:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at June 30, 2016</b>	<u>\$ 97,049,478</u>	<u>\$ 74,640,077</u>	<u>\$ 22,409,401</u>
<b>Changes in the Year:</b>			
Service cost	2,020,384	-	2,020,384
Interest on the total pension liability	7,292,385	-	7,292,385
Differences between actual and expected experience	(439,090)	-	(439,090)
Changes in assumptions	-	-	-
Contribution - employer	-	3,733,571	(3,733,571)
Contribution - employee	-	1,051,923	(1,051,923)
Net investment income	-	405,106	(405,106)
Administrative expenses	-	(45,489)	45,489
Benefit payments, including refunds of employee contributions	(4,590,588)	(4,590,588)	-
<b>Net Changes</b>	<u>4,283,091</u>	<u>554,523</u>	<u>3,728,568</u>
<b>Balance at June 30, 2017</b>	<u>\$ 101,332,569</u>	<u>\$ 75,194,600</u>	<u>\$ 26,137,969</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

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

**Pension Expense and Deferred Outflows and Inflows of Resources**

*Safety Plan*

For the year ended June 30, 2017, the City recognized pension expense of \$4,267,010 for the Safety Plan. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,445,511	\$ -
Differences between actual contributions and proportionate share of contributions and changes in proportions	51,049	(219,887)
Net differences between projected and actual earnings on plan investments	4,946,811	-
Change in assumptions	-	(1,006,892)
Differences between expected and actual experience	-	(230,935)
Total	<u>\$ 9,443,371</u>	<u>\$ (1,457,714)</u>

The amount of \$4,445,511, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (116,472)
2019	96,460
2020	2,272,358
2021	1,287,800
2022	-
Thereafter	-

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

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

**Pension Expense and Deferred Outflows and Inflows of Resources (Continued)**

Miscellaneous Plan

For the year ended June 30, 2017, the City recognized pension expense of \$2,499,692 for the Miscellaneous Plan. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,865,941	\$ -
Change in assumptions	-	(507,866)
Differences between expected and actual experience	19,220	(292,727)
Net differences between projected and actual earnings on plan investments	<u>4,052,691</u>	<u>-</u>
Total	<u>\$ 7,937,852</u>	<u>\$ (800,593)</u>

The amount of \$3,865,941, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (56,065)
2019	432,582
2020	1,836,567
2021	1,058,234
2022	-
Thereafter	-

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

***NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)***

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (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 <u>(6.65%)</u>	Current Discount <u>Rate (7.65%)</u>	1% Increase <u>(8.65%)</u>
Safety Plan's proportionate share of collective net pension liability	\$ 51,488,686	\$ 33,497,317	\$ 18,728,247
Miscellaneous Plan's net pension liability	\$ 38,970,955	\$ 26,137,969	\$ 15,454,268

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan**

At June 30, 2017, the City had no outstanding amount of contributions to the Safety or Miscellaneous pension plans required for the year ended June 30, 2017.

***NOTE 15 - 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 nonprofit organization) parcels of land and related structures associated with the operation of certain community events relating to the arts. At all times throughout the term of this operating lease and at the termination of the lease, title to these assets remains with the City of Laguna Beach. The rental payment to be received by the City will be an amount equal to 3.5% of certain gross revenues relating to the use of the property without limitation (no maximum rental payment). In addition, the Festival of Arts of Laguna Beach will pay 6% of the gross revenues described above, which the City will deposit into a capital improvement fund. The money in the capital improvement fund is to be used solely for capital improvements to the premises being rented and debt associated with such improvements, and insurance premiums. All rentals are considered to be contingent upon the amount of gross revenues and the lease does not provide for minimum rental payments to be made to the City. The carrying amount of the land involved in this lease is \$405,040. The carrying amount of the structures and improvements being leased is \$4,130,872 with a cost of \$5,164,740 and accumulated depreciation of \$1,033,868. These assets are recorded in the capital assets of the City of Laguna Beach.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

***NOTE 15 - SIGNIFICANT OPERATING LEASE FOR WHICH THE CITY IS LESSOR  
(CONTINUED)***

The assets include buildings and improvements contributed from the lessee in fiscal year 2016-2017 totaling \$4,130,872. The lessee also contributed \$13,120,791 of assets in September 2017 that will be recorded as a capital contribution in fiscal year 2017-2018. 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 \$251,220.

***NOTE 16 - TRANSPORTATION DEVELOPMENT ACT***

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

TDA 50% Limitation:

Total Operating Costs		\$ 3,137,062
Less: Depreciation		<u>(267,385)</u>
Net Operating Costs		2,869,677
50% Limitation		1,434,839

TDA Financial Need Limitation:

Total Operating Costs		\$ 3,137,062
Depreciation	\$ (267,385)	
OCTA Operating Assistance	(194,024)	
Passenger Revenues	(195,593)	
Taxi Voucher Program	(333)	
Project "V" Grant	(294,421)	
Park and Ride	<u>(106,757)</u>	<u>(1,058,513)</u>
Financial Need		<u>2,078,549</u>
Lesser of "Financial Need" or "50% Limitation"		<u>\$ 1,434,839</u>
TDA Allocation		1,031,639
Under (Over) Allocation		403,200

For the year ended June 30, 2017, the City recognized \$1,031,639 of revenues pursuant to the TDA requirements, which was less than the limit of \$1,434,839. This amount, along with \$679,878 of other grant revenues, is reflected within Intergovernmental revenues in the Municipal Transit Enterprise Fund.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 17 - RELATED PARTIES***

Housing Program to Enhance Emergency Response

In order to enhance the ability of key personnel to respond to emergency situations within the community, the City 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 three such properties in the amount of \$1,743,653 and two loans to these respective employees. The outstanding balance of the loans was \$603,736, for the year ended June 30, 2017. The balances of the loans are reported as part of Notes Receivables in the Street Lighting District Special Revenue Fund (Nonmajor Governmental Fund) and the Internal Service Funds.

***NOTE 18 - 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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 18 - CONTINGENCIES (CONTINUED)***

Five Lagunas Project (Continued)

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.

***NOTE 19 - PRIOR PERIOD ADJUSTMENTS***

Beginning balances of net position in the Government-Wide Financial Statements as of July 1, 2016, have been adjusted as follows:

	Governmental Activities	Business-type Activities	Total
Net position at July 1, 2016, as originally reported	\$ 342,932,788	\$ 47,838,202	\$ 390,770,990
Reduction of capital assets to agree balance to the detail schedule of capital assets and to adjust accumulated depreciation for infrastructure assets not previously depreciated	(24,153,745)	(8,120,830)	(32,274,575)
Net position at July 1, 2016, as restated	\$ 318,779,043	\$ 39,717,372	\$ 358,496,415



**CITY OF LAGUNA BEACH, CALIFORNIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***NOTE 19 - PRIOR PERIOD ADJUSTMENTS (CONTINUED)***

Beginning balances of net position in the Proprietary Funds Financial Statements as of July 1, 2016, have been adjusted as follows:

	<u>Sewer Service Enterprise Fund</u>	<u>Vehicle Replacement Internal Service Fund</u>
Net position at July 1, 2016, as originally reported	\$ 43,102,989	\$ 10,448,456
Reduction of capital assets to agree balance to the detail schedule of capital assets and to adjust accumulated depreciation for infrastructure assets not previously depreciated	<u>(8,120,830)</u>	<u>(164,517)</u>
Net position at July 1, 2016, as restated	<u>\$ 34,982,159</u>	<u>\$ 10,283,939</u>

***NOTE 20 - SUBSEQUENT EVENTS***

Events occurring after June 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosure as of December 28, 2017, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF LAGUNA BEACH**  
**Safety Plan**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last Ten Fiscal Years\***

Fiscal year ended	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.38711%	0.38969%	0.36782%
Plan's proportionate share of the net pension liability	\$ 33,497,317	\$ 26,748,099	\$ 22,887,604
Plan's covered - employee payroll	\$ 9,912,852	\$ 9,480,126	\$ 9,282,035
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	337.92%	282.15%	246.58%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 3,422,184	\$ 3,386,359	\$ 3,247,751

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

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

**CITY OF LAGUNA BEACH**  
**Safety Plan**  
**Schedule of Contributions**  
**Last Ten Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 3,244,259	\$ 1,875,636	\$ 2,538,981
Contributions in relation to the actuarially determined contributions	<u>(4,445,511)</u>	<u>(4,132,300)</u>	<u>(2,538,981)</u>
Contribution deficiency (excess)	<u>\$ (1,201,252)</u>	<u>\$ (2,256,664)</u>	<u>\$ -</u>
Covered - employee payroll*****	\$ 10,671,505	\$ 9,912,852	\$ 9,480,126
Contributions as a percentage of covered - employee payroll	41.66%	41.69%	26.78%

**Notes to Schedule:**

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

Actuarial cost method	Entry age normal**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value ***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (3% @50), 55 years (3% @55), and 57 years (2.7% @57)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

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

\*\* - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

**CITY OF LAGUNA BEACH**  
**Miscellaneous Plan**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Ten Fiscal Years\***

Fiscal Year Ended	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Period	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability:</b>			
Service cost	\$ 2,020,384	\$ 1,936,830	\$ 2,113,319
Interest on total pension liability	7,292,385	6,979,652	6,610,117
Differences between actual and expected experience	(439,090)	61,932	-
Changes in assumptions	-	(1,636,454)	-
Benefit payments, including refunds of employee contributions	(4,590,588)	(4,271,862)	(3,644,602)
<b>Net Change in Total Pension Liability</b>	<b>4,283,091</b>	<b>3,070,098</b>	<b>5,078,834</b>
<b>Total Pension Liability - Beginning of Year</b>	<b>97,049,478</b>	<b>93,979,380</b>	<b>88,900,546</b>
<b>Total Pension Liability - End of Year (a)</b>	<b>\$ 101,332,569</b>	<b>\$ 97,049,478</b>	<b>\$ 93,979,380</b>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 3,733,571	\$ 3,457,700	\$ 2,011,915
Contributions - employee	1,051,923	943,694	1,240,843
Net investment income	405,106	1,666,511	11,013,027
Administrative expenses	(45,489)	(84,037)	(83,334)
Benefit payments	(4,590,588)	(4,271,862)	(3,644,602)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>554,523</b>	<b>1,712,006</b>	<b>10,537,849</b>
<b>Plan Fiduciary Net Position - Beginning of Year</b>	<b>74,640,077</b>	<b>72,928,071</b>	<b>62,390,222</b>
<b>Plan Fiduciary Net Position - End of Year (b)</b>	<b>\$ 75,194,600</b>	<b>\$ 74,640,077</b>	<b>\$ 72,928,071</b>
Net Pension Liability - Ending (a)-(b)	<b>\$ 26,137,969</b>	<b>\$ 22,409,401</b>	<b>\$ 21,051,309</b>
Plan fiduciary net position as a percentage of the total pension liability	74.21%	76.91%	77.60%
Covered - employee payroll	\$ 12,231,617	\$ 11,425,937	\$ 11,349,084
Net pension liability as percentage of covered - employee payroll	213.69%	196.13%	185.49%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

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

**CITY OF LAGUNA BEACH**  
**Miscellaneous Plan**  
**Schedule of Contributions**  
**Last Ten Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 2,665,941	\$ 2,337,304	\$ 2,057,700
Contributions in relation to the actuarially determined contributions	<u>(3,865,941)</u>	<u>(3,737,304)</u>	<u>(3,457,700)</u>
Contribution deficiency (excess)	<u>\$ (1,200,000)</u>	<u>\$ (1,400,000)</u>	<u>\$ (1,400,000)</u>
Covered - employee payroll	\$ 12,999,868	\$ 12,231,617	\$ 11,425,937
Contributions as a percentage of covered - employee payroll	29.74%	30.55%	30.26%

**Notes to Schedule:**

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

Actuarial cost method	Entry age normal**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market value ***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	55 years (2.5% @55) and 62 years (2% @62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

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

\*\* - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).



**CITY OF LAGUNA BEACH**  
**Other Post-Employment Benefit Plan**  
**Schedule of Funding Progress**  
**Year Ended June 30, 2017**

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]
07/01/2011	\$ -	\$ 1,346,828	\$ 1,346,828	0.00%	\$ 20,159,361	6.68%
07/01/2014	-	1,634,735	1,634,735	0.00%	21,450,536	7.62%
07/01/2016	-	2,041,569	2,041,569	0.00%	22,144,469	9.22%

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 30,529,000	\$ 32,832,000	\$ 34,123,953	\$ 1,291,953
Sales and use taxes	5,504,000	5,504,000	5,577,214	73,214
Transient lodging taxes	6,300,000	6,300,000	7,091,697	791,697
Franchise taxes	1,180,000	1,180,000	1,201,149	21,149
Business license taxes	900,000	900,000	947,160	47,160
Total Taxes	<u>44,413,000</u>	<u>46,716,000</u>	<u>48,941,173</u>	<u>2,225,173</u>
Licenses and permits:				
Construction permits	1,309,000	1,309,000	1,543,962	234,962
Other	19,000	19,000	36,386	17,386
Total Licenses and Permits	<u>1,328,000</u>	<u>1,328,000</u>	<u>1,580,348</u>	<u>252,348</u>
Fines and penalties:				
Other	11,000	11,000	29,292	18,292
Investment income, net	630,000	630,000	(89,620)	(719,620)
Rental	425,000	425,000	463,868	38,868
Intergovernmental	545,100	954,362	1,228,627	274,265
Charges for services:				
Planning fees	1,522,000	1,910,000	1,946,996	36,996
Building department fees	339,000	339,000	362,492	23,492
Refuse service charges	2,060,000	2,060,000	2,065,824	5,824
Medical fees	103,000	103,000	60,616	(42,384)
Parks and recreation fees	1,340,000	3,450,000	3,325,717	(124,283)
Other	2,432,000	322,000	432,587	110,587
Total Charges for Services	<u>7,796,000</u>	<u>8,184,000</u>	<u>8,194,232</u>	<u>10,232</u>
Parking meters, lots, and permits	1,500	1,500	2,052	552
Other:				
Reimbursed expenditures	290,000	290,000	387,529	97,529
Other	25,000	30,000	136,095	106,095
Total Other	<u>315,000</u>	<u>320,000</u>	<u>523,624</u>	<u>203,624</u>
Total Revenues	<u>55,464,600</u>	<u>58,569,862</u>	<u>60,873,596</u>	<u>2,303,734</u>

(Continued)

See accompanying notes to required supplementary information.

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**  
**(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
General government:				
City Council	\$ 77,700	\$ 99,400	\$ 78,011	\$ 21,389
City Manager	937,500	913,900	887,727	26,173
City Clerk	381,600	462,400	402,833	59,567
City Treasurer	159,700	169,800	167,158	2,642
City Attorney	635,000	1,326,800	1,178,219	148,581
Administrative services	2,996,000	5,162,708	3,137,720	2,024,988
Total General Government	<u>5,187,500</u>	<u>8,135,008</u>	<u>5,851,668</u>	<u>2,283,340</u>
Community development	<u>4,920,900</u>	<u>6,104,900</u>	<u>5,065,752</u>	<u>1,039,148</u>
Public safety:				
Police protection	14,875,700	18,104,344	15,901,346	2,202,998
Fire protection	10,596,300	12,260,900	10,699,696	1,561,204
Marine safety	2,650,700	2,762,400	2,661,134	101,266
Total Public Safety	<u>28,122,700</u>	<u>33,127,644</u>	<u>29,262,176</u>	<u>3,865,468</u>
Public works	<u>11,176,800</u>	<u>12,733,300</u>	<u>10,890,712</u>	<u>1,842,588</u>
Recreation and social services	<u>4,707,100</u>	<u>5,982,877</u>	<u>4,766,662</u>	<u>1,216,215</u>
Capital outlay	<u>767,800</u>	<u>1,196,778</u>	<u>581,396</u>	<u>615,382</u>
Total Expenditures	<u>54,882,800</u>	<u>67,280,507</u>	<u>56,418,366</u>	<u>10,862,141</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>581,800</u>	<u>(8,710,645)</u>	<u>4,455,230</u>	<u>13,165,875</u>
Other Financing Sources (Uses):				
Transfers in	-	410,000	634,676	224,676
Transfers out	-	(2,674,140)	(3,466,646)	(792,506)
Sale of land and equipment	<u>3,000</u>	<u>3,000</u>	<u>4,891</u>	<u>1,891</u>
Total Other Financing Sources (Uses)	<u>3,000</u>	<u>(2,261,140)</u>	<u>(2,827,079)</u>	<u>(565,939)</u>
Net Change in Fund Balance	584,800	(10,971,785)	1,628,151	12,599,936
Fund Balance, Beginning of Year	<u>18,706,571</u>	<u>18,706,571</u>	<u>18,706,571</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 19,291,371</u>	<u>\$ 7,734,786</u>	<u>\$ 20,334,722</u>	<u>\$ 12,599,936</u>

(Continued)

See accompanying notes to required supplementary information.

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

(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.

	<b>General Fund</b>
<b>Revenues and Other Financing Sources</b>	
Revenues from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 60,873,596
Revenues of the funds below are not inflows of budgetary resources in the General Fund's legally adopted budget, but are revenues of the General Fund for financial reporting purposes:	
Measure LL Fund	1,064,721
Capital Improvement Fund	6,799,447
Parking Authority Fund	7,855,933
Parking In-Lieu Fund	8
Park In-Lieu Fund	87,906
Art In-Lieu Fund	10,845
Drainage Fund	634
Housing In-Lieu Fund	3,079
Transportation Infrastructure Fund	10,026
Total Revenues from the Financial Statements	\$ 76,706,195
Transfers In and Sale of Land and Equipment from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 639,567
Transfers In of the funds below are not inflows of budgetary resources in the General Fund's legally adopted budget, but are transfers amongst the General Fund and General Fund Sub-Funds for financial reporting purposes:	
Open Space Fund	1,900,000
Capital Improvement Fund	1,541,400
Elimination of Transfers In within General Fund in accordance with GASB 54 consolidation	(3,740,676)
Total Transfers In and Sale of Land and Equipment from Financial Statements	\$ 340,291
<b>Expenditures and Other Financing Uses</b>	
Expenditures and Other Financing Uses from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 59,885,012
Expenditures and Other Financing Uses of the funds below are not outflows of budgetary resources in the General Fund's legally adopted budget, but are expenditures of the General Fund for financial reporting purposes:	
Measure LL Fund	212,216
Open Space Fund	234,409
Capital Improvement Fund	8,257,468
Parking Authority Fund	5,449,187
Art In-Lieu Fund	3,851
Transportation Infrastructure Fund	498,810
Elimination of Transfers Out within General Fund in accordance with GASB 54 consolidation	(3,740,676)
Total Expenditures and Other Financing Uses from Financial Statements	\$ 70,800,277

See accompanying notes to required supplementary information.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

***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. Appropriations lapse at fiscal year end, except for encumbered amounts and capital expenditures which are re-appropriated in the next year's budget until such time as the project is completed or terminated.

The City is required to adopt a biennial budget on or before June 30 of odd numbered calendar years. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget through a vote of a majority 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 for the General Fund and the fund level for special revenue and capital projects funds.

Budget information is presented for the general and certain special revenue 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 \$12,397,707 were made in the General Fund.

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**SUPPLEMENTARY SCHEDULES**

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## **GENERAL FUND**

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

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Consolidating Balance Sheet by Sub-Fund**  
**June 30, 2017**

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
<b>ASSETS</b>					
Cash and investments	\$ 24,484,264	\$ 324,414	\$ 2,465,754	\$ 22,053,560	\$ 15,350,210
Receivables:					
Taxes	4,001,311	594,474	-	1,180,934	-
Accounts	173,888	-	-	80,319	71,580
Interest	37,777	-	-	-	-
Intergovernmental	127,741	-	-	-	-
Notes	50,000	-	-	-	-
Inventory	51,539	-	-	-	-
<b>Total Assets</b>	<b>\$ 28,926,520</b>	<b>\$ 918,888</b>	<b>\$ 2,465,754</b>	<b>\$ 23,314,813</b>	<b>\$ 15,421,790</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,152,754	\$ 66,383	\$ -	\$ 787,238	\$ 241,913
Due to other governmental agencies	-	-	-	-	-
Unearned revenue	223,813	-	-	-	9,335
Advances from other funds	5,215,231	-	-	-	-
<b>Total Liabilities</b>	<b>8,591,798</b>	<b>66,383</b>	<b>-</b>	<b>787,238</b>	<b>251,248</b>
Fund Balances:					
Nonspendable	51,539	-	-	-	-
Restricted	-	-	-	-	-
Committed	192,825	852,505	-	-	-
Assigned	-	-	2,465,754	22,527,575	15,170,542
Unassigned	20,090,358	-	-	-	-
<b>Total Fund Balances</b>	<b>20,334,722</b>	<b>852,505</b>	<b>2,465,754</b>	<b>22,527,575</b>	<b>15,170,542</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 28,926,520</b>	<b>\$ 918,888</b>	<b>\$ 2,465,754</b>	<b>\$ 23,314,813</b>	<b>\$ 15,421,790</b>

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Total
\$ 904	\$ 518,737	\$ 226,085	\$ 69,625	\$ 344,485	\$ 734,042	\$ 66,572,080
-	-	-	-	-	-	5,776,719
-	-	-	-	-	-	325,787
-	-	-	-	-	-	37,777
-	-	-	-	-	-	127,741
-	-	-	-	348,000	-	398,000
-	-	-	-	-	-	51,539
<u>\$ 904</u>	<u>\$ 518,737</u>	<u>\$ 226,085</u>	<u>\$ 69,625</u>	<u>\$ 692,485</u>	<u>\$ 734,042</u>	<u>\$ 73,289,643</u>
\$ -	\$ -	\$ 3,851	\$ -	\$ -	\$ 10,376	\$ 4,262,515
-	-	-	-	51,509	-	51,509
-	-	-	-	-	-	233,148
-	-	-	-	-	-	5,215,231
-	-	3,851	-	51,509	10,376	9,762,403
-	-	-	-	-	-	51,539
904	518,737	222,234	69,625	640,976	723,666	2,176,142
-	-	-	-	-	-	1,045,330
-	-	-	-	-	-	40,163,871
-	-	-	-	-	-	20,090,358
<u>904</u>	<u>518,737</u>	<u>222,234</u>	<u>69,625</u>	<u>640,976</u>	<u>723,666</u>	<u>63,527,240</u>
<u>\$ 904</u>	<u>\$ 518,737</u>	<u>\$ 226,085</u>	<u>\$ 69,625</u>	<u>\$ 692,485</u>	<u>\$ 734,042</u>	<u>\$ 73,289,643</u>

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Consolidating Schedule of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund**  
**Year Ended June 30, 2017**

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
<b>Revenues:</b>					
Taxes	\$ 48,941,173	\$ 1,064,721	\$ -	\$ 5,248,825	\$ -
Licenses and permits	1,580,348	-	-	-	-
Fines and penalties	29,292	-	-	970,231	-
Investment income, net	(89,620)	-	-	-	-
Rental	463,868	-	-	-	-
Intergovernmental	1,228,627	-	-	47,300	-
Charges for services	8,194,232	-	-	314,497	-
Parking meters, lots, and permits	2,052	-	-	-	7,855,632
Development tax	-	-	-	217,433	-
Other	523,624	-	-	1,161	301
<b>Total Revenues</b>	<b>60,873,596</b>	<b>1,064,721</b>	<b>-</b>	<b>6,799,447</b>	<b>7,855,933</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	5,851,668	-	-	-	-
Community development	5,065,752	-	-	-	-
Public safety	29,262,176	113,166	-	-	976,590
Public works	10,890,712	99,050	-	17,200	1,960,739
Recreation and social services	4,766,662	-	-	-	-
Capital outlay	581,396	-	101,409	6,115,268	277,258
<b>Total Expenditures</b>	<b>56,418,366</b>	<b>212,216</b>	<b>101,409</b>	<b>6,132,468</b>	<b>3,214,587</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>4,455,230</b>	<b>852,505</b>	<b>(101,409)</b>	<b>666,979</b>	<b>4,641,346</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	634,676	-	1,900,000	1,541,400	-
Transfers out	(3,466,646)	-	(133,000)	(2,125,000)	(2,234,600)
Sale of land and equipment	4,891	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,827,079)</b>	<b>-</b>	<b>1,767,000</b>	<b>(583,600)</b>	<b>(2,234,600)</b>
<b>Net Change in Fund Balances</b>	<b>1,628,151</b>	<b>852,505</b>	<b>1,665,591</b>	<b>83,379</b>	<b>2,406,746</b>
<b>Fund Balances, Beginning of Year</b>	<b>18,706,571</b>	<b>-</b>	<b>800,163</b>	<b>22,444,196</b>	<b>12,763,796</b>
<b>Fund Balances, End of Year</b>	<b>\$ 20,334,722</b>	<b>\$ 852,505</b>	<b>\$ 2,465,754</b>	<b>\$ 22,527,575</b>	<b>\$ 15,170,542</b>

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,254,719
-	-	-	-	-	-	-	1,580,348
-	-	-	-	-	-	-	999,523
8	4,072	1,995	634	3,079	10,026	-	(69,806)
-	-	-	-	-	-	-	463,868
-	-	-	-	-	-	-	1,275,927
-	-	-	-	-	-	-	8,508,729
-	-	-	-	-	-	-	7,857,684
-	83,834	8,850	-	-	-	-	310,117
-	-	-	-	-	-	-	525,086
<u>8</u>	<u>87,906</u>	<u>10,845</u>	<u>634</u>	<u>3,079</u>	<u>10,026</u>	<u>-</u>	<u>76,706,195</u>
-	-	-	-	-	-	-	5,851,668
-	-	-	-	-	-	-	5,065,752
-	-	-	-	-	-	-	30,351,932
-	-	-	-	-	-	-	12,967,701
-	-	3,851	-	-	-	-	4,770,513
-	-	-	-	-	103,810	-	7,179,141
<u>-</u>	<u>-</u>	<u>3,851</u>	<u>-</u>	<u>-</u>	<u>103,810</u>	<u>-</u>	<u>66,186,707</u>
<u>8</u>	<u>87,906</u>	<u>6,994</u>	<u>634</u>	<u>3,079</u>	<u>(93,784)</u>	<u>-</u>	<u>10,519,488</u>
-	-	-	-	-	-	(3,740,676)	335,400
-	-	-	-	-	(395,000)	3,740,676	(4,613,570)
-	-	-	-	-	-	-	4,891
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(395,000)</u>	<u>-</u>	<u>(4,273,279)</u>
<u>8</u>	<u>87,906</u>	<u>6,994</u>	<u>634</u>	<u>3,079</u>	<u>(488,784)</u>	<u>-</u>	<u>6,246,209</u>
<u>896</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>\$ 904</u>	<u>\$ 518,737</u>	<u>\$ 222,234</u>	<u>\$ 69,625</u>	<u>\$ 640,976</u>	<u>\$ 723,666</u>	<u>\$ -</u>	<u>\$ 63,527,240</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**  
**Measure LL Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,000,000	\$ 1,064,721	\$ 64,721
Total Revenues	<u>1,000,000</u>	<u>1,064,721</u>	<u>64,721</u>
Expenditures:			
Current:			
Public safety	291,500	113,166	178,334
Public works	708,700	99,050	609,650
Total Expenditures	<u>1,000,200</u>	<u>212,216</u>	<u>787,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(200)</u>	<u>852,505</u>	<u>852,705</u>
Net Change in Fund Balance	(200)	852,505	852,705
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (200)</u>	<u>\$ 852,505</u>	<u>\$ 852,705</u>

**CITY OF LAGUNA BEACH**  
**General Fund Sub-Fund**  
**Open Space Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Capital outlay	2,413,000	101,409	2,311,591
Total Expenditures	2,413,000	101,409	2,311,591
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,413,000)	(101,409)	2,311,591
Other Financing Sources (Uses):			
Transfers in	1,900,000	1,900,000	-
Transfers out	(133,000)	(133,000)	-
Total Other Financing Sources (Uses)	1,767,000	1,767,000	-
Net Change in Fund Balance	(646,000)	1,665,591	2,311,591
Fund Balance, Beginning of Year	800,163	800,163	-
Fund Balance, End of Year	\$ 154,163	\$ 2,465,754	\$ 2,311,591

**CITY OF LAGUNA BEACH**  
**General Fund Sub-Fund**  
**Capital Improvement Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 4,992,000	\$ 5,248,825	\$ 256,825
Fines and penalties	975,000	970,231	(4,769)
Intergovernmental	50,000	47,300	(2,700)
Charges for services	1,000	314,497	313,497
Development tax	120,000	217,433	97,433
Other	-	1,161	1,161
<b>Total Revenues</b>	<b>6,138,000</b>	<b>6,799,447</b>	<b>661,447</b>
<b>Expenditures:</b>			
Current:			
Public works	217,000	17,200	199,800
Capital outlay	26,212,560	6,115,268	20,097,292
<b>Total Expenditures</b>	<b>26,429,560</b>	<b>6,132,468</b>	<b>20,297,092</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,291,560)	666,979	20,958,539
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,541,400	1,541,400	-
Transfers out	(2,125,000)	(2,125,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(583,600)</b>	<b>(583,600)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(20,875,160)</b>	<b>83,379</b>	<b>20,958,539</b>
Fund Balance, Beginning of Year	22,444,196	22,444,196	-
Fund Balance, End of Year	<u>\$ 1,569,036</u>	<u>\$ 22,527,575</u>	<u>\$ 20,958,539</u>



**CITY OF LAGUNA BEACH**  
**General Fund Sub-Fund**  
**Parking Authority Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Parking meters, lots, and permits	\$ 7,089,000	\$ 7,855,632	\$ 766,632
Other	-	301	301
Total Revenues	<u>7,089,000</u>	<u>7,855,933</u>	<u>766,933</u>
Expenditures:			
Current:			
Public safety	1,024,500	976,590	47,910
Public works	2,405,405	1,960,739	444,666
Capital outlay	7,336,400	277,258	7,059,142
Total Expenditures	<u>10,766,305</u>	<u>3,214,587</u>	<u>7,551,718</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,677,305)</u>	<u>4,641,346</u>	<u>8,318,651</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(2,089,400)	(2,234,600)	(145,200)
Total Other Financing Sources (Uses)	<u>(2,089,400)</u>	<u>(2,234,600)</u>	<u>(145,200)</u>
Net Change in Fund Balance	(5,766,705)	2,406,746	8,173,451
Fund Balance, Beginning of Year	<u>12,763,796</u>	<u>12,763,796</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,997,091</u>	<u>\$ 15,170,542</u>	<u>\$ 8,173,451</u>

**CITY OF LAGUNA BEACH**  
**General Fund Sub-Fund**  
**Art In-Lieu Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 1,995	\$ 1,995
Development tax	-	8,850	8,850
Total Revenues	<u>-</u>	<u>10,845</u>	<u>10,845</u>
Expenditures:			
Current:			
Recreation and social services	14,700	3,851	10,849
Total Expenditures	<u>14,700</u>	<u>3,851</u>	<u>10,849</u>
Net Change in Fund Balance	(14,700)	6,994	21,694
Fund Balance, Beginning of Year	<u>215,240</u>	<u>215,240</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 200,540</u>	<u>\$ 222,234</u>	<u>\$ 21,694</u>

**CITY OF LAGUNA BEACH**  
**General Fund Sub-Fund**  
**Housing In-Lieu Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 3,079	\$ 3,079
Total Revenues	<u>-</u>	<u>3,079</u>	<u>3,079</u>
Expenditures:			
Current:			
General government	6,500	-	6,500
Total Expenditures	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Net Change in Fund Balance	(6,500)	3,079	9,579
Fund Balance, Beginning of Year	<u>637,897</u>	<u>637,897</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 631,397</u></u>	<u><u>\$ 640,976</u></u>	<u><u>\$ 9,579</u></u>

**CITY OF LAGUNA BEACH**  
**General Fund Sub-Fund**  
**Transportation Infrastructure Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 15,000	\$ 10,026	\$ (4,974)
Total Revenues	<u>15,000</u>	<u>10,026</u>	<u>(4,974)</u>
Expenditures:			
Current:			
Capital outlay	115,000	103,810	11,190
Total Expenditures	<u>115,000</u>	<u>103,810</u>	<u>11,190</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(93,784)</u>	<u>6,216</u>
Other Financing Sources (Uses):			
Transfers out	(395,000)	(395,000)	-
Total Other Financing Sources (Uses)	<u>(395,000)</u>	<u>(395,000)</u>	<u>-</u>
Net Change in Fund Balance	(495,000)	(488,784)	6,216
Fund Balance, Beginning of Year	<u>1,212,450</u>	<u>1,212,450</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 717,450</u></u>	<u><u>\$ 723,666</u></u>	<u><u>\$ 6,216</u></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 Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment income, net	\$ -	\$ 36,756	\$ 36,756
Contributions from property owners	167,566	167,566	-
Other	1,494	119,521	118,027
<b>Total Revenues</b>	<b>169,060</b>	<b>323,843</b>	<b>154,783</b>
<b>Expenditures:</b>			
Capital outlay	7,634,777	5,104,669	2,530,108
<b>Total Expenditures</b>	<b>7,634,777</b>	<b>5,104,669</b>	<b>2,530,108</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,465,717)	(4,780,826)	2,684,891
<b>Other Financing Sources (Uses):</b>			
Transfers in	323,740	323,740	-
Proceeds from bond issuance	632,993	584,993	(48,000)
<b>Total Other Financing Sources (Uses)</b>	<b>956,733</b>	<b>908,733</b>	<b>(48,000)</b>
<b>Net Change in Fund Balance</b>	<b>(6,508,984)</b>	<b>(3,872,093)</b>	<b>2,636,891</b>
Fund Balance, Beginning of Year	4,963,033	4,963,033	-
Fund Balance (Deficit), End of Year	\$ (1,545,951)	\$ 1,090,940	\$ 2,636,891

## **NONMAJOR FUNDS**

### **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 nonmajor Special Revenue Funds:

#### **Gas Tax Fund**

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

#### **Street Lighting District Fund**

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

#### **Asset Forfeiture Fund**

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

#### **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.

**CITY OF LAGUNA BEACH**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2017**

		Special Revenue Funds		
		Gas Tax	Street Lighting District	Asset Forfeiture
<b>ASSETS</b>				
Cash and investments		\$ 1,008,395	\$ 6,865,758	\$ 790
Receivables:				
Taxes		-	17,251	-
Intergovernmental		119,720	-	-
Notes		-	173,178	-
Advances to other funds		-	1,500,000	-
		\$ 1,128,115	\$ 8,556,187	\$ 790
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities		\$ 36,878	\$ 340,003	\$ -
		36,878	340,003	-
Fund Balances:				
Restricted		1,091,237	8,216,184	790
Committed		-	-	-
		1,091,237	8,216,184	790
Total Liabilities and Fund Balances		\$ 1,128,115	\$ 8,556,187	\$ 790



Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
Disaster Contingency	
\$ 6,209,559	\$ 14,084,502
-	17,251
-	119,720
-	173,178
-	1,500,000
<u>\$ 6,209,559</u>	<u>\$ 15,894,651</u>

<u>\$ -</u>	<u>\$ 376,881</u>
<u>-</u>	<u>376,881</u>

-	9,308,211
<u>6,209,559</u>	<u>6,209,559</u>
<u>6,209,559</u>	<u>15,517,770</u>
<u>\$ 6,209,559</u>	<u>\$ 15,894,651</u>

**CITY OF LAGUNA BEACH**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2017**

	Special Revenue Funds		
	Gas Tax	Street Lighting District	Asset Forfeiture
Revenues:			
Taxes	\$ 422,870	\$ 1,531,954	\$ -
Fines and penalties	-	-	2,033
Investment income, net	10,664	-	1,703
Intergovernmental	503,474	6,454	-
Total Revenues	<u>937,008</u>	<u>1,538,408</u>	<u>3,736</u>
Expenditures:			
Current:			
Public works	-	1,082,139	-
Capital outlay	1,181,246	23,615	7,000
Total Expenditures	<u>1,181,246</u>	<u>1,105,754</u>	<u>7,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(244,238)</u>	<u>432,654</u>	<u>(3,264)</u>
Other Financing Sources (Uses):			
Transfers in	-	1,085,000	-
Transfers out	-	(146,600)	(229,400)
Total Other Financing Sources (Uses)	<u>-</u>	<u>938,400</u>	<u>(229,400)</u>
Net Change in Fund Balances	(244,238)	1,371,054	(232,664)
Fund Balances, Beginning of Year	<u>1,335,475</u>	<u>6,845,130</u>	<u>233,454</u>
Fund Balances, End of Year	<u>\$ 1,091,237</u>	<u>\$ 8,216,184</u>	<u>\$ 790</u>

Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
Disaster Contingency	
\$ -	\$ 1,954,824
-	2,033
56,500	68,867
-	509,928
<u>56,500</u>	<u>2,535,652</u>
-	1,082,139
-	1,211,861
<u>-</u>	<u>2,294,000</u>
56,500	241,652
-	1,085,000
-	(376,000)
<u>-</u>	<u>709,000</u>
56,500	950,652
<u>6,153,059</u>	<u>14,567,118</u>
<u>\$ 6,209,559</u>	<u>\$ 15,517,770</u>

**CITY OF LAGUNA BEACH**  
**Nonmajor Special Revenue Fund**  
**Gas Tax Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 422,000	\$ 422,870	\$ 870
Investment income, net	10,000	10,664	664
Intergovernmental	521,000	503,474	(17,526)
Other	10,000	-	(10,000)
Total Revenues	963,000	937,008	(25,992)
Expenditures:			
Current:			
Capital outlay	2,573,100	1,181,246	1,391,854
Total Expenditures	2,573,100	1,181,246	1,391,854
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,610,100)	(244,238)	1,365,862
Fund Balance, Beginning of Year	1,335,475	1,335,475	-
Fund Balance, End of Year	\$ (274,625)	\$ 1,091,237	\$ 1,365,862

**CITY OF LAGUNA BEACH**  
**Nonmajor Special Revenue Fund**  
**Street Lighting District Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,307,100	\$ 1,531,954	\$ 224,854
Intergovernmental	6,000	6,454	454
Total Revenues	<u>1,313,100</u>	<u>1,538,408</u>	<u>225,308</u>
Expenditures:			
Current:			
Public works	2,432,700	1,082,139	1,350,561
Capital outlay	1,631,800	23,615	1,608,185
Total Expenditures	<u>4,064,500</u>	<u>1,105,754</u>	<u>2,958,746</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,751,400)</u>	<u>432,654</u>	<u>3,184,054</u>
Other Financing Sources (Uses):			
Transfers in	1,085,000	1,085,000	-
Transfers out	(146,600)	(146,600)	-
Total Other Financing Sources (Uses)	<u>938,400</u>	<u>938,400</u>	<u>-</u>
Net Change in Fund Balance	(1,813,000)	1,371,054	3,184,054
Fund Balance, Beginning of Year	<u>6,845,130</u>	<u>6,845,130</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 5,032,130</u></u>	<u><u>\$ 8,216,184</u></u>	<u><u>\$ 3,184,054</u></u>

**CITY OF LAGUNA BEACH**  
**Nonmajor Special Revenue Fund**  
**Asset Forfeiture Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and penalties	\$ -	\$ 2,033	\$ 2,033
Investment income, net	-	1,703	1,703
Total Revenues	-	3,736	3,736
Expenditures:			
Current:			
Capital outlay	-	7,000	(7,000)
Total Expenditures	-	7,000	(7,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,264)	(3,264)
Other Financing Sources (Uses):			
Transfers out	(229,400)	(229,400)	-
Total Other Financing Sources (Uses)	(229,400)	(229,400)	-
Net Change in Fund Balance	(229,400)	(232,664)	(3,264)
Fund Balance, Beginning of Year	233,454	233,454	-
Fund Balance, End of Year	\$ 4,054	\$ 790	\$ (3,264)

**CITY OF LAGUNA BEACH**  
**Nonmajor Special Revenue Fund**  
**Diaster Contingency Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2017**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 45,000	\$ 56,500	\$ 11,500
Total Revenues	45,000	56,500	11,500
Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,000	56,500	11,500
Fund Balance, Beginning of Year	6,153,059	6,153,059	-
Fund Balance, End of Year	\$ 6,198,059	\$ 6,209,559	\$ 11,500

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## **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.

The City of Laguna Beach has the following Internal Service Funds:

### Insurance and Employee Benefits Fund

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

### Vehicle Replacement Fund

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

**CITY OF LAGUNA BEACH**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2017**

	Insurance and Employee Benefits	Vehicle Replacement	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 7,670,983	\$ 7,489,900	\$ 15,160,883
Receivables:			
Accounts	21,095	1,090	22,185
Total Current Assets	7,692,078	7,490,990	15,183,068
Noncurrent Assets:			
Advances to other funds	3,015,231	700,000	3,715,231
Notes receivable	7,500	430,551	438,051
Property for housing program	1,743,653	-	1,743,653
Capital assets, not being depreciated	-	658,683	658,683
Capital assets, net of depreciation	-	2,830,824	2,830,824
Total Noncurrent Assets	4,766,384	4,620,058	9,386,442
Total Assets	12,458,462	12,111,048	24,569,510
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	88,490	425,570	514,060
Compensated absences, due within one year	726,439	-	726,439
Insurance claims payable, due within one year	2,047,491	-	2,047,491
Total Current Liabilities	2,862,420	425,570	3,287,990
Noncurrent Liabilities:			
Compensated absences	2,905,755	-	2,905,755
Insurance claims payable	4,777,478	-	4,777,478
Net OPEB liability	344,391	-	344,391
Total Noncurrent Liabilities	8,027,624	-	8,027,624
Total Liabilities	10,890,044	425,570	11,315,614
<b>NET POSITION</b>			
Net investment in capital assets	-	3,489,507	3,489,507
Unrestricted	1,568,418	7,891,436	9,459,854
Total Net Position	\$ 1,568,418	\$ 11,380,943	\$ 12,949,361

**CITY OF LAGUNA BEACH**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year Ended June 30, 2017**

	Insurance and Employee Benefits	Vehicle Replacement	Total
Operating Revenues:			
Vehicle rentals	\$ -	\$ 1,287,847	\$ 1,287,847
Employee benefits charges	749,474	-	749,474
Insurance charges	9,724,728	-	9,724,728
	<u>10,474,202</u>	<u>1,287,847</u>	<u>11,762,049</u>
Total Operating Revenues			
Operating Expenses:			
Administration	144,722	-	144,722
Employee benefits	925,384	-	925,384
Insurance claims and premiums	12,049,062	-	12,049,062
Depreciation	-	592,073	592,073
	<u>13,119,168</u>	<u>592,073</u>	<u>13,711,241</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(2,644,966)</u>	<u>695,774</u>	<u>(1,949,192)</u>
Nonoperating Revenues:			
Gain on disposal of capital assets or property	23,008	297,304	320,312
	<u>23,008</u>	<u>297,304</u>	<u>320,312</u>
Total Nonoperating Revenues			
Income (Loss) Before Transfers	<u>(2,621,958)</u>	<u>993,078</u>	<u>(1,628,880)</u>
Transfers:			
Transfers in	1,691,830	500,000	2,191,830
Transfers out	-	(396,074)	(396,074)
	<u>1,691,830</u>	<u>103,926</u>	<u>1,795,756</u>
Total Transfers			
Change in Net Position	(930,128)	1,097,004	166,876
Net Position, Beginning of Year, as restated	<u>2,498,546</u>	<u>10,283,939</u>	<u>12,782,485</u>
Net Position, End of Year	<u>\$ 1,568,418</u>	<u>\$ 11,380,943</u>	<u>\$ 12,949,361</u>

**CITY OF LAGUNA BEACH**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2017**

	Insurance and Employee Benefits	Vehicle Replacement	Total
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 10,453,107	\$ 1,300,257	\$ 11,753,364
Cash payments to suppliers for goods and services	(11,726,331)	-	(11,726,331)
Cash payments to employees for services	(942,290)	-	(942,290)
Net Cash Provided by (Used for) Operating Activities	(2,215,514)	1,300,257	(915,257)
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	1,691,830	500,000	2,191,830
Cash provided to other funds	-	(396,074)	(396,074)
Cash received for payment on advance to other funds	703,141	-	703,141
Loans made for housing program	-	-	-
Cash received related to housing program	1,262,502	281,279	1,543,781
Net Cash Provided by Noncapital Financing Activities	3,657,473	385,205	4,042,678
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	(691,763)	(691,763)
Net Cash Used for Capital and Related Financing Activities	-	(691,763)	(691,763)
Net Increase in Cash and Cash Equivalents	1,441,959	993,699	2,435,658
Cash and Cash Equivalents, Beginning of Year	6,229,024	6,496,201	12,725,225
Cash and Cash Equivalents, End of Year	\$ 7,670,983	\$ 7,489,900	\$ 15,160,883

(Continued)

**CITY OF LAGUNA BEACH**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2017**  
**(Continued)**

	Insurance and Employee Benefits	Vehicle Replacement	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating income (loss)	\$ (2,644,966)	\$ 695,774	\$ (1,949,192)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	-	592,073	592,073
(Increase) decrease in accounts receivable	(21,095)	12,410	(8,685)
(Increase) decrease in prepaids	4,900	-	4,900
Increase (decrease) in accounts payable and accrued liabilities	(18,815)	-	(18,815)
Increase (decrease) in compensated absences payable	(1,537)	-	(1,537)
Increase (decrease) in insurance claims payable	481,368	-	481,368
Increase (decrease) in net OPEB liability	(15,369)	-	(15,369)
	\$ (2,215,514)	\$ 1,300,257	\$ (915,257)
Net Cash Provided by (Used for) Operating Activities			

**NONCASH CAPITAL AND FINANCING ACTIVITIES:**

The Vehicle Replacement Internal Service Fund received a note receivable totaling \$471,761 previously reported in the Insurance and Employee Benefits Internal Service Fund.

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## **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, 2017**

	1915 Act Bonds	Deposits	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,228,261	\$ 2,726,274	\$ 3,954,535
Investments with fiscal agent	686,460	-	686,460
Receivables:			
Taxes	21,200	-	21,200
Total Assets	\$ 1,935,921	\$ 2,726,274	\$ 4,662,195
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 66,542	\$ 66,542
Deposits	-	2,659,732	2,659,732
Due to bondholders	1,935,921	-	1,935,921
Total Liabilities	\$ 1,935,921	\$ 2,726,274	\$ 4,662,195



**CITY OF LAGUNA BEACH**  
**Agency Funds**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**June 30, 2017**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b><u>1915 ACT BONDS</u></b>				
<b>Assets</b>				
Cash and investments	\$ 890,730	\$ 2,257,485	\$ 1,919,954	\$ 1,228,261
Investments with fiscal agent	741,061	1,006,857	1,061,458	686,460
Receivables:				
Taxes	14,472	21,201	14,473	21,200
Total Assets	<u>\$ 1,646,263</u>	<u>\$ 3,285,543</u>	<u>\$ 2,995,885</u>	<u>\$ 1,935,921</u>
<b>Liabilities</b>				
Due to bondholders	\$ 1,646,263	\$ 3,285,542	\$ 2,995,884	\$ 1,935,921
Total Liabilities	<u>\$ 1,646,263</u>	<u>\$ 3,285,542</u>	<u>\$ 2,995,884</u>	<u>\$ 1,935,921</u>
<b><u>DEPOSITS</u></b>				
<b>Assets</b>				
Cash and investments	\$ 2,874,903	\$ 1,465,630	\$ 1,614,259	\$ 2,726,274
Receivables:				
Accounts	4,235	-	4,235	-
Intergovernmental	7,991	-	7,991	-
Total Assets	<u>\$ 2,887,129</u>	<u>\$ 1,465,630</u>	<u>\$ 1,626,485</u>	<u>\$ 2,726,274</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 65,202	\$ 1,038,538	\$ 1,037,198	\$ 66,542
Deposits	2,821,927	1,359,019	1,521,214	2,659,732
Due to bondholders	-	-	-	-
Total Liabilities	<u>\$ 2,887,129</u>	<u>\$ 2,397,557</u>	<u>\$ 2,558,412</u>	<u>\$ 2,726,274</u>
<b><u>TOTALS</u></b>				
<b>Assets</b>				
Cash and investments	\$ 3,765,633	\$ 3,723,115	\$ 3,534,213	\$ 3,954,535
Investments with fiscal agent	741,061	1,006,857	1,061,458	686,460
Receivables:				
Taxes	14,472	21,201	14,473	21,200
Accounts	4,235	-	4,235	-
Intergovernmental	7,991	-	7,991	-
Total Assets	<u>\$ 4,533,392</u>	<u>\$ 4,751,173</u>	<u>\$ 4,622,370</u>	<u>\$ 4,662,195</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 65,202	\$ 1,038,538	\$ 1,037,198	\$ 66,542
Deposits	2,821,927	1,359,019	1,521,214	2,659,732
Due to bondholders	1,646,263	3,285,542	2,995,884	1,935,921
Total Liabilities	<u>\$ 4,533,392</u>	<u>\$ 5,683,099</u>	<u>\$ 5,554,296</u>	<u>\$ 4,662,195</u>

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## **STATISTICAL SECTION**

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## **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			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 305,837,234	\$ 318,076,672	\$ 315,618,279	\$ 321,965,481
Restricted	10,754,223	10,806,358	12,512,277	5,196,077
Unrestricted	41,777,890	40,877,799	43,085,546	56,708,144
Total governmental activities	<u>\$ 358,369,347</u>	<u>\$ 369,760,829</u>	<u>\$ 371,216,102</u>	<u>\$ 383,869,702</u>
Business-type activities:				
Net investment in capital assets	\$ 3,056,319	\$ 2,706,697	\$ 2,620,625	\$ 3,033,502
Unrestricted	465,194	464,012	55,182	372,435
Total business type activities	<u>\$ 3,521,513</u>	<u>\$ 3,170,709</u>	<u>\$ 2,675,807</u>	<u>\$ 3,405,937</u>
Primary Government:				
Net investment in capital assets	\$ 308,893,553	\$ 320,783,369	\$ 318,238,904	\$ 324,998,983
Restricted	10,754,223	10,806,358	12,512,277	5,196,077
Unrestricted	42,243,084	41,341,811	43,140,728	57,080,579
Total business type activities	<u>\$ 361,890,860</u>	<u>\$ 372,931,538</u>	<u>\$ 373,891,909</u>	<u>\$ 387,275,639</u>

Data Source: City Records

Fiscal Years

2012	2013	2014	2015	2016	2017
\$ 324,225,923	\$ 328,944,217	\$ 299,392,486	\$ 301,705,857	\$ 299,735,000	\$ 279,232,956
5,869,787	4,421,951	7,223,908	9,559,633	15,943,397	12,576,083
50,569,411	60,011,983	57,924,594	16,937,401	27,254,391	35,076,956
\$ 380,665,121	\$ 393,378,151	\$ 364,540,988	\$ 328,202,891	\$ 342,932,788	\$ 326,885,995
\$ 2,834,551	\$ 2,642,078	\$ 43,758,305	\$ 42,452,562	\$ 45,461,137	\$ 39,751,055
372,452	408,379	3,173,301	3,197,284	2,377,065	1,312,520
\$ 3,207,003	\$ 3,050,457	\$ 46,931,606	\$ 45,649,846	\$ 47,838,202	\$ 41,063,575
\$ 327,060,474	\$ 331,586,295	\$ 343,150,791	\$ 344,158,419	\$ 345,196,137	\$ 318,984,011
5,869,787	4,421,951	7,223,908	9,559,633	15,943,397	12,576,083
50,941,863	60,420,362	61,097,895	20,134,685	29,631,456	36,389,476
\$ 383,872,124	\$ 396,428,608	\$ 411,472,594	\$ 373,852,737	\$ 390,770,990	\$ 367,949,570

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

	Fiscal Years			
	2008	2009	2010	2011
<b>Expenses:</b>				
<b>Governmental activities:</b>				
General government	\$ 4,326,076	\$ 4,375,200	\$ 4,252,146	\$ 4,291,832
Community development	3,422,556	3,768,607	3,614,799	3,686,004
Public Safety	23,133,907	25,697,805	25,351,962	26,364,923
Public Works	22,374,310	18,182,514	20,707,700	14,336,928
Recreation and social services	3,839,208	4,147,762	4,268,774	4,676,679
Sewer service operating costs	4,682,498	5,850,403	5,673,965	5,700,769
Interest on long-term debt	408,619	368,191	290,473	187,964
<b>Total governmental activities expenses</b>	<b>62,187,174</b>	<b>62,390,482</b>	<b>64,159,819</b>	<b>59,245,099</b>
<b>Business-type activities:</b>				
Municipal transit	\$ 2,183,550	\$ 2,318,378	\$ 2,458,706	\$ 2,450,265
Sewer Service	-	-	-	-
<b>Total business-type activities expenses</b>	<b>\$ 2,183,550</b>	<b>\$ 2,318,378</b>	<b>\$ 2,458,706</b>	<b>\$ 2,450,265</b>
<b>Total primary government expenses</b>	<b>\$ 64,370,724</b>	<b>\$ 64,708,860</b>	<b>\$ 66,618,525</b>	<b>\$ 61,695,364</b>
<b>Program revenues:</b>				
<b>Governmental activities:</b>				
<b>Charges for Services:</b>				
General Government	\$ 1,031,632	\$ 1,073,481	\$ 945,403	\$ 890,306
Community development	2,635,214	2,587,192	2,523,559	2,246,036
Public safety	2,400,367	2,257,248	2,111,769	1,725,333
Public works	5,329,796	6,563,355	6,081,042	6,994,344
Recreation and social services	1,499,601	1,448,611	2,776,127	3,311,914
Sewer service operating costs	5,654,840	5,766,575	5,949,922	6,082,856
Operating Grants and Contributions:	6,159,388	5,445,042	3,192,109	3,930,216
Capital Grants and Contributions:	7,300,066	1,083,774	75,751	1,002,303
<b>Total governmental activities program revenues</b>	<b>\$ 32,010,904</b>	<b>\$ 26,225,278</b>	<b>\$ 23,655,682</b>	<b>\$ 26,183,308</b>
<b>Business-type activities:</b>				
<b>Charges for Services:</b>				
Municipal Transit	\$ 348,146	\$ 323,660	\$ 313,847	\$ 323,428
Sewer service	-	-	-	-
Operating Grants and Contributions:	951,510	1,019,877	1,155,687	1,637,397
Capital Grants and Contributions:	862,200	9,496	-	393,174
<b>Total business-type activities program revenues</b>	<b>\$ 2,161,856</b>	<b>\$ 1,353,033</b>	<b>\$ 1,469,534</b>	<b>\$ 2,353,999</b>
<b>Total primary government program revenues</b>	<b>\$ 34,172,760</b>	<b>\$ 27,578,311</b>	<b>\$ 25,125,216</b>	<b>\$ 28,537,307</b>
<b>Net revenues (expenses):</b>				
Governmental activities	\$ (30,176,270)	\$ (36,165,204)	\$ (40,504,137)	\$ (33,061,791)
Business-type activities	(21,694)	(965,345)	(989,172)	(96,266)
<b>Total net revenues (expenses)</b>	<b>\$ (30,197,964)</b>	<b>\$ (37,130,549)</b>	<b>\$ (41,493,309)</b>	<b>\$ (33,158,057)</b>

Data Source: City Records



Fiscal Years					
2012	2013	2014	2015	2016	2017
\$ 4,658,171	\$ 4,773,294	\$ 3,252,176	\$ 4,011,666	\$ 4,961,384	\$ 6,155,221
3,991,867	3,826,827	4,103,329	4,286,769	5,098,251	5,066,791
26,937,061	24,694,999	25,755,201	26,606,083	31,639,192	31,929,625
13,913,687	12,424,315	16,320,422	18,085,062	20,779,294	26,449,618
5,004,329	4,787,756	5,173,507	6,022,747	5,481,466	5,461,800
6,063,835	5,519,819	-	-	-	-
211,810	129,382	-	-	-	-
<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>	<u>75,063,055</u>
\$ 2,233,496	\$ 2,148,718	\$ 2,333,048	\$ 2,434,172	\$ 2,976,677	\$ 3,137,062
-	-	5,636,354	7,569,442	5,963,003	6,720,112
<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>\$ 9,857,174</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>	<u>\$ 84,920,229</u>
\$ 882,761	\$ 906,051	\$ 981,002	\$ 1,015,049	\$ 1,002,599	\$ 1,104,868
2,195,031	2,731,302	3,204,521	3,167,128	3,773,050	4,033,486
1,752,556	1,797,519	1,591,619	1,989,290	1,679,812	1,448,493
6,295,258	7,428,761	7,343,113	9,314,702	8,622,598	9,936,897
3,050,630	3,200,792	3,305,296	3,979,198	3,641,643	3,559,566
6,308,982	6,588,390	-	-	-	-
1,961,730	2,024,308	1,971,819	2,764,891	1,849,916	1,823,585
878,382	131,497	1,596,735	433,681	8,212,560	4,894,568
<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>	<u>\$ 26,801,463</u>
\$ 318,205	\$ 326,723	\$ 346,288	\$ 319,134	\$ 313,458	\$ 302,683
-	-	6,814,418	7,093,423	7,400,257	7,699,521
1,321,121	1,322,049	1,765,639	2,302,614	2,332,192	1,711,517
-	-	851,923	555,307	-	-
<u>\$ 1,639,326</u>	<u>\$ 1,648,772</u>	<u>\$ 9,778,268</u>	<u>\$ 10,270,478</u>	<u>\$ 10,045,907</u>	<u>\$ 9,713,721</u>
<u>\$ 24,964,656</u>	<u>\$ 26,457,392</u>	<u>\$ 29,772,373</u>	<u>\$ 32,934,417</u>	<u>\$ 38,828,085</u>	<u>\$ 36,515,184</u>
\$ (37,455,430)	\$ (31,347,772)	\$ (34,610,530)	\$ (36,348,387)	\$ (39,177,409)	\$ (48,261,592)
(594,170)	(499,946)	1,808,866	266,864	1,106,227	(143,453)
<u>\$ (38,049,600)</u>	<u>\$ (31,847,718)</u>	<u>\$ (32,801,664)</u>	<u>\$ (36,081,523)</u>	<u>\$ (38,071,182)</u>	<u>\$ (48,405,045)</u>

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

	Fiscal Years			
	2008	2009	2010	2011
General Revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 25,525,587	\$ 26,973,472	\$ 27,766,596	\$ 27,799,676
Sales Tax	4,074,094	3,427,084	3,206,617	3,356,309
Sales tax in-lieu	1,149,419	1,163,049	697,446	948,251
Transient occupancy taxes	8,741,413	7,856,964	6,759,353	7,073,251
Other taxes	6,638,617	5,759,315	1,816,278	2,167,624
Motor vehicle license fees, unrestricted	111,385	85,458	74,043	115,763
Investment Income	1,952,936	1,768,663	1,332,412	1,028,790
Other general revenue	551,766	754,080	775,565	1,365,120
Gain on sale of assets	302,575	(60,087)	-	5,050
Transfers	(386,000)	(602,000)	(468,900)	(823,900)
Total governmental activities	<u>\$ 48,661,792</u>	<u>\$ 47,125,998</u>	<u>\$ 41,959,410</u>	<u>\$ 43,035,934</u>
Business-type activities				
Investment Income	\$ 13,197	\$ 10,377	\$ 19,065	\$ 2,496
Other general revenue	4,000	1,764	4,003	-
Gain or loss on sale of assets	-	-	2,302	-
Transfers	386,000	602,400	468,900	823,900
Total Business-type activities	<u>\$ 403,197</u>	<u>\$ 614,541</u>	<u>\$ 494,270</u>	<u>\$ 826,396</u>
Total Primary government	<u>\$ 49,064,989</u>	<u>\$ 47,740,539</u>	<u>\$ 42,453,680</u>	<u>\$ 43,862,330</u>
Changes in net position				
Governmental activities	\$ 18,485,522	\$ 10,960,794	\$ 1,455,273	\$ 9,974,143
Business-type activities	381,503	(350,804)	(494,902)	730,130
Total primary government	<u>\$ 18,867,025</u>	<u>\$ 10,609,990</u>	<u>\$ 960,371</u>	<u>\$ 10,704,273</u>

Data Source: City Records

Fiscal Years					
2012	2013	2014	2015	2016	2017
\$ 26,553,228	\$ 27,498,818	\$ 29,051,006	\$ 30,945,911	\$ 34,100,038	\$ 36,391,079
3,825,793	3,989,812	4,230,239	4,602,679	5,345,953	6,000,084
979,382	1,125,941	1,185,284	1,201,956	1,029,002	-
7,904,562	8,537,050	9,366,183	9,872,378	10,754,654	12,670,071
2,311,061	2,086,233	2,147,742	2,233,271	1,372,912	1,418,582
-	-	-	-	-	-
739,632	(70,016)	1,160,595	708,579	1,259,063	35,817
1,576,053	964,666	1,002,476	1,172,011	1,059,699	964,459
70,207	271,698	198,439	75,928	31,283	338,126
(391,300)	(343,400)	(915,389)	(1,350,691)	(1,045,298)	(1,449,674)
<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>	<u>\$ 56,368,544</u>
\$ 3,936	\$ -	\$ 3,819	\$ 25,464	\$ 36,734	\$ 18,087
-	-	25,103	4,650	97	21,895
-	-	-	(6,537)	-	-
391,300	343,400	915,389	1,350,691	1,045,298	1,449,674
<u>\$ 395,236</u>	<u>\$ 343,400</u>	<u>\$ 944,311</u>	<u>\$ 1,374,268</u>	<u>\$ 1,082,129</u>	<u>\$ 1,489,656</u>
<u>\$ 43,963,854</u>	<u>\$ 44,404,202</u>	<u>\$ 48,370,886</u>	<u>\$ 50,836,290</u>	<u>\$ 54,989,435</u>	<u>\$ 57,858,200</u>
\$ 6,113,188	\$ 12,713,030	\$ 12,816,045	\$ 13,113,635	\$ 14,729,897	\$ 8,106,952
(198,934)	(156,546)	2,753,177	1,641,132	2,188,356	1,346,203
<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>	<u>\$ 9,453,155</u>

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

	Fiscal Years			
	2008	2009	2010	2011
General Fund:				
Reserved	\$ 8,211,027	\$ 5,858,971	\$ 3,056,277	\$ -
Unreserved	27,071,427	28,418,761	22,743,525	-
Nonspendable	-	-	-	1,457,462
Restricted	-	-	-	4,731,971
Committed	-	-	-	234,988
Assigned	-	-	-	19,511,838
Unassigned	-	-	-	4,822,332
Total general fund	<u>35,282,454</u>	<u>34,277,732</u>	<u>25,799,802</u>	<u>30,758,591</u>
All other governmental funds				
Reserved	2,473,864	4,788,422	5,235,110	-
Unreserved, reported in:				
Special revenue funds	2,678,698	2,939,618	5,511,826	-
Capital project funds	5,565,582	2,990,803	1,269,168	-
Nonspendable	-	-	-	791,384
Restricted	-	-	-	6,266,345
Committed	-	-	-	5,857,868
Assigned	-	-	-	-
Unassigned	-	-	-	(2,184,688)
Total all other governmental funds	<u>\$ 10,718,144</u>	<u>\$ 10,718,843</u>	<u>\$ 12,016,104</u>	<u>\$ 10,730,909</u>

*Data Source: City Records*

*The City implemented GASB 54 in Fiscal Year 2010-2011*

Fiscal Years					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
103,726	129,616	146,990	115,089	115,607	51,539
3,526,976	3,317,856	2,958,295	3,073,396	2,566,305	2,176,142
306,539	306,359	334,525	363,278	350,106	1,045,330
20,962,498	27,272,289	23,734,527	29,467,522	36,008,155	40,163,871
8,215,647	6,781,959	13,420,963	16,308,063	18,240,858	20,090,358
<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>	<u>63,527,240</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
791,384	3,531,567	2,190,000	-	-	-
10,385,155	3,595,034	4,265,613	6,486,737	13,377,092	10,399,151
-	5,984,699	6,034,556	6,089,679	6,153,059	6,209,559
-	265,217	-	-	-	-
(774,645)	(148,095)	(531,502)	(521,922)	-	-
<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>	<u>\$ 16,608,710</u>

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

	Fiscal Years			
	2008	2009	2010	2011
<b>Revenues:</b>				
Taxes and special assessments	\$ 45,061,416	\$ 44,868,922	\$ 40,986,641	\$ 41,678,318
License and permits	1,024,172	1,141,821	924,040	990,966
Fines and penalties	1,968,877	1,807,176	1,483,462	1,274,270
Investment income	2,172,846	1,907,979	1,361,432	1,064,467
Rental income	354,560	387,562	420,678	445,491
Intergovernmental	24,866,373	4,892,173	3,228,921	3,978,327
Charges for services	12,649,555	12,444,053	12,693,018	13,056,488
Parking meters, lots and permits	3,406,195	4,715,786	4,080,151	4,891,228
Development tax	152,469	6,441	39,804	680,391
Contributions from property owners	-	-	-	-
Other	2,556,833	2,238,673	1,047,961	1,372,893
Total Revenue	<u>\$ 94,213,296</u>	<u>\$ 74,410,586</u>	<u>\$ 66,266,108</u>	<u>\$ 69,432,839</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	\$ 4,047,877	\$ 3,977,543	\$ 3,901,637	\$ 3,991,706
Community development	3,399,926	3,636,575	3,482,651	3,531,828
Public Safety	23,078,430	25,048,032	24,681,583	24,676,244
Public works	10,501,163	11,049,821	11,070,780	10,097,113
Recreation and social services	3,865,406	4,006,552	4,196,800	4,003,836
Sewer service operating costs	3,620,729	3,886,559	4,093,162	4,009,715
Capital outlay	33,322,037	24,039,610	9,377,939	11,060,240
<b>Debt service:</b>				
Principal	2,199,676	1,655,800	1,425,000	1,490,000
Interest and fiscal charges	441,432	717,756	697,523	625,428
Total Expenditures	<u>\$ 84,476,676</u>	<u>\$ 78,018,248</u>	<u>\$ 62,927,075</u>	<u>\$ 63,486,110</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 9,736,620	\$ (3,607,662)	\$ 3,339,033	\$ 5,946,729
<b>Other financing sources (uses):</b>				
Transfer In	\$ 1,857,367	\$ 1,499,569	\$ 6,087,140	\$ 538,742
Transfer Out	(2,465,695)	(2,101,969)	(6,803,929)	(2,816,927)
Issuance of bond	584,539	-	-	-
Issuance of loan	534,000	2,586,128	152,486	-
Advance payments of PERS obligation	-	-	(9,956,355)	-
Sales of land and equipment	302,572	7,223	956	5,050
Total other financing sources (uses)	<u>812,783</u>	<u>1,990,951</u>	<u>(10,519,702)</u>	<u>(2,273,135)</u>
Net change in fund balances	<u>\$ 10,549,403</u>	<u>\$ (1,616,711)</u>	<u>\$ (7,180,669)</u>	<u>\$ 3,673,594</u>
Debt service as a percentage of noncapital expenditures	5.4%	4.6%	4.1%	4.2%

Data Source: City Records

Fiscal Years

	2012	2013	2014	2015	2016	2017
\$	41,653,733	\$ 43,929,172	\$ 46,861,756	\$ 49,740,077	\$ 53,422,115	\$ 57,209,543
	975,884	1,052,041	1,292,248	1,257,275	1,500,393	1,580,348
	1,283,698	1,341,961	1,179,799	1,161,445	1,168,255	1,001,556
	739,628	(70,016)	1,159,549	715,521	1,256,302	35,817
	419,641	427,341	500,642	484,579	481,114	463,868
	3,469,505	2,121,486	3,363,671	2,817,867	2,118,995	1,785,855
	12,987,838	13,603,713	7,509,075	8,153,319	8,177,621	8,508,729
	4,276,533	5,384,197	5,308,051	7,400,349	6,739,529	7,857,684
	183,704	433,526	254,370	271,927	185,949	310,117
	-	-	-	-	7,281,713	167,566
	900,815	652,921	802,838	1,556,022	957,974	644,607
\$	<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>	<u>\$ 79,565,690</u>
\$	4,071,235	\$ 4,014,084	\$ 3,701,265	\$ 4,598,623	\$ 5,330,478	\$ 5,851,668
	3,600,452	3,751,468	4,034,924	4,445,514	5,041,256	5,065,752
	24,419,318	24,336,927	25,170,727	27,014,412	30,647,342	30,351,932
	10,671,049	10,958,046	12,292,930	11,867,474	12,839,368	14,049,840
	4,049,299	4,216,980	4,581,842	4,902,441	4,889,196	4,770,513
	4,062,448	3,950,183	-	-	-	-
	10,745,569	8,974,111	15,782,365	10,735,900	7,172,705	13,495,671
	1,915,472	360,040	-	-	-	-
	181,283	132,459	-	-	-	-
\$	<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>	<u>\$ 73,585,376</u>
\$	3,174,854	\$ 8,182,044	\$ 2,667,946	\$ 9,994,017	\$ 17,369,615	\$ 5,980,314
\$	987,270	\$ 1,697,131	\$ 419,760	\$ 1,050,000	\$ 120,000	\$ 1,744,140
	(2,446,370)	(2,614,936)	(1,869,144)	(2,223,400)	(2,071,298)	(4,989,570)
	459,263	-	-	-	-	584,993
	-	-	-	-	-	-
	-	-	-	-	-	-
	12,109	254,582	168,676	7,258	11,023	4,891
	(987,728)	(663,223)	(1,280,708)	(1,166,142)	(1,940,275)	(2,655,546)
\$	<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>	<u>\$ 3,324,768</u>
	4.1%	1.0%	0.0%	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
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%
2017	13,479,921,599	102,361,950	13,582,283,549	1.647%

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 MuniServices, LLC*

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

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

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

	Fiscal Years			
	2008	2009	2010	2011
<b>City Direct Rates:</b>				
City basic rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total City Direct Rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
<b>Overlapping Rates:</b>				
City of Laguna Beach Bonds	0.0162	0.0152	0.0137	0.0119
Unified School District Bonds	0.0172	0.0154	0.0168	0.1580
South Coast Water District	0.0096	0.0093	0.0092	0.0091
Metro Water District	0.0045	0.0043	0.0043	0.0037
Total Direct Rate	<u>\$ 1.04756</u>	<u>\$ 1.04421</u>	<u>\$ 1.04406</u>	<u>\$ 1.18267</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: County Auditor/Controller data, MuniServices, LLC*  
*Rates are not adjusted for ERAF*  
*TRA 005-015*  
*Source: 2013-14 and prior, previously published CAFR Reports*

Fiscal Years					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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
-	-	-	-	-	-
0.1601	0.1694	0.0157	0.0146	0.0140	0.0137
0.0082	0.0082	0.0079	0.0072	0.0067	0.0021
<u>0.0037</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</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>	<u><u>\$ 1.01928</u></u>

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Shr MIb LLC	365,277,464	1	2.69%			
Icre Laguna Club LLC	126,139,397	2	0.93%			
Hometown Laguna Terrace LLC	58,024,771	3	0.43%			
Warpinski Joseph	37,020,365	4	0.27%			
Iconicviews Company LLC	34,172,644	5	0.25%			
Serenita LLC	32,634,795	6	0.24%			
Irvine Cove 2004 LLC	31,937,421	7	0.24%			
Crystal Cove Cliffs LLC	31,367,808	8	0.23%			
I Cove Investment LLC	24,871,821	9	0.18%			
Moore Leslie Joyce	24,563,418	10	0.18%			
Laguna Beach Luxury Hotel				172,533,715	1	1.89%
Club Laguna Partnership				43,187,737	2	0.47%
Nevills Neil D Tr				30,171,600	3	0.33%
Yi Donna Tr Cdy Family				23,460,000	4	0.26%
Sleepy Hollow Lane LLC				22,236,000	5	0.24%
Daichendt Gary J Tr				19,776,316	6	0.22%
Emerald Financial LLC				19,141,320	7	0.21%
Aliso Creek Properties				19,125,229	8	0.21%
Inn At Laguna Beach LLC				19,035,444	9	0.21%
Vacation Bay Hotel				17,698,850	10	0.19%
	<u>\$ 766,009,904</u>		<u>5.64%</u>	<u>\$ 386,366,211</u>		<u>5.66%</u>

Source: Orange County Assessor data, MuniServices, LLC

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of Levy		Collection in Subsequent Years	Total Collection to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2017	32,000,485	31,385,515	98.08%	614,970	32,000,485	100%

Source: Orange County Auditor Controller's Office

## **DEBT CAPACITY**

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

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

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

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

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

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities	Business-type Activities		Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	I-Bank Installment Agreement	Capital Leases		I-Bank Installment Agreement	Primary Government		
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
2017	-	-	-	-	3,130,810	3,130,810	2.59%	135

Data Source: City Records

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

CITY OF LAGUNA BEACH

2016-17 Assessed Valuation: \$13,613,076,867

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2017</u>	<u>% Applicable (1)</u>	City's share of <u>Debt 6/30/17</u>
Metropolitan Water District	\$74,905,000	0.53%	\$394,749
Capistrano Unified School District School Facilities Improvement District No. 1	27,212,966	0.011	2,993
Laguna Beach Unified School District	24,755,000	73.066	18,087,488
South Coast County Water District	220,000	37.359	82,190
City of Laguna Beach 1915 Act Bonds	9,219,349	100	9,219,349
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$27,786,769</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$227,516,000	2.59%	\$5,899,490
Orange County Pension Obligation Bonds	386,762,539	2.593	10,028,753
Orange County Board of Education Certificates of Participation	14,440,000	2.593	374,429
Capistrano Unified School District Certificates of Participation	13,805,000	0.007	966
<b>City of Laguna Beach</b>	<b>0</b>	<b>100</b>	<b>0</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$16,303,638</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$44,090,407</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$44,090,407 (2)</b>

(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 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.20%
<b>Total Direct Debt</b>	<b>0.00%</b>
Combined Total Debt	0.32%

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	
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%
2017	7,699,521	4,888,192	2,811,329	400,996	90,945	571.48%

*Data Source: City Records*

CITY OF LAGUNA BEACH  
 Legal Debt Margin  
 Last Ten Fiscal Years

	Fiscal Years			
	2008	2009	2010	2011
Assessed valuation	10,143,694,955	10,335,472,585	10,468,333,980	10,681,022,396
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,535,923,739	2,583,868,146	2,617,083,495	2,670,255,599
Debt limit percentage	15%	15%	15%	15%
Debt limit	380,388,561	387,580,222	392,562,524	400,538,340
Total net debt applicable to limit:				
General obligation bonds	6,330,853	7,150,000	5,840,000	4,480,000
Legal debt margin	<u>\$ 374,057,708</u>	<u>\$ 380,430,222</u>	<u>\$ 386,722,524</u>	<u>\$ 396,058,340</u>
Total debt applicable to the limit as a percentage of debt limit	1.7%	1.8%	1.5%	1.1%

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					
2012	2013	2014	2015	2016	2017
11,089,216,359	10,681,022,396	11,181,201,735	11,895,671,535	12,700,905,363	13,613,076,867
25%	25%	25%	25%	25%	25%
2,772,304,090	2,670,255,599	2,795,300,434	2,973,917,884	3,175,226,341	3,403,269,217
15%	15%	15%	15%	15%	15%
415,845,613	400,538,340	419,295,065	446,087,683	476,283,951	510,490,383
1,565,000	-	-	-	-	-
<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>	<u>\$ 510,490,383</u>
0.4%	0.0%	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
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%
2017	23,505	1,986,939	84,533	3.0%

*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	2016-17	
	Number of Employees	Percent of Total Employment (%)
Montage Laguna Beach*	766	6.08%
Laguna Beach School District	350	2.78%
Mission Hospital, Laguna Beach (1)	300	2.38%
City of Laguna Beach**	250	1.98%
Laguna College of Art & Design***	234	1.86%
Surf & Sand Resort***	360	2.86%
Las Brisas Restaurant***	186	1.48%
Pacific Edge Hotel*** (2)	160	1.27%
Hotel Laguna***	120	0.95%
Mozambique***	95	0.75%
Total Top 10 Employers	2,821	22.39%
 Total City Labor Force (3)	 12,600	

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Source: MuniServices, LLC

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

\*Number includes 100 seasonal hires over the summer

\*\*Includes full time only

\*\*\*Includes full and part time

(1) Count 2,500 is for all Mission Hospital locations total, Count 300 is for just the Laguna Beach campus.

(2) Count includes both Hotel & Restaurants.

(3) 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			
	2008	2009	2010	2011
General Government	18.03	18.03	18.03	18.03
Public Safety	135.00	134.00	134.00	132.60
Public Works	56.00	57.00	55.00	54.00
Community Development	26.00	29.00	28.00	27.00
Recreational and Cultural	7.50	7.65	7.65	7.75
Water Quality	15.00	15.00	15.00	15.00
Total	<u>257.53</u>	<u>260.68</u>	<u>257.68</u>	<u>254.38</u>

*Data Source: City Records*



Fiscal Years					
2012	2013	2014	2015	2016	2017
17.63	17.63	17.63	17.63	18.73	18.73
132.50	132.50	132.60	135.00	136.00	136.00
51.00	50.00	51.00	51.00	54.60	54.60
26.50	26.50	27.00	28.00	30.00	30.00
7.75	7.75	7.75	7.75	6.00	6.00
15.00	15.00	15.00	15.00	15.00	15.00
<u>250.38</u>	<u>249.38</u>	<u>250.98</u>	<u>254.38</u>	<u>260.33</u>	<u>260.33</u>

CITY OF LAGUNA BEACH  
 Operating Indicators  
 Last Ten Fiscal Years

	Fiscal Years			
	2008	2009	2010	2011
Police				
Custodial Arrests	1,337	1,296	1,411	2,163
Traffic Violations	3,718	7,292	6,624	7,176
Parking Violations	53,863	48,148	39,108	35,688
Fire Protection:				
Number of Calls Answered	2,613	2,894	3,052	3,080
Number of Inspections	850	900	950	1,035
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					
2012	2013	2014	2015	2016	2017
1,527	2,176	1,694	2,093	2,125	2,113
5,855	6,138	5,300	5,923	3,794	3,372
38,553	40,050	34,004	36,685	34,017	30,557
3,413	3,311	3,375	3,447	N/A	3,562
1,620	1,650	1,021	1,384	N/A	982
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			
	2008	2009	2010	2011
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					
2012	2013	2014	2015	2016	2017
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

