

CITY OF LAGUNA BEACH, CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

CITY OF LAGUNA BEACH, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

City Council:

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

Laura Parisi, City Treasurer

Lisette Chel-Walker, City Clerk

John Pietig, City Manager

**Prepared by:
Finance Division**

CITY OF LAGUNA BEACH, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018
Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organization Chart	vi
GFOA Award	vii
FINANCIAL SECTION:	
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:	
Balance Sheet	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
	26
Proprietary Funds:	
Statement of Net Position	27
Statement of Revenues, Expenses and Changes in Fund Net Position	28
Statement of Cash Flows	29
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities - Agency Funds	30
	32
Notes to Basic Financial Statements	33

CITY OF LAGUNA BEACH, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018
Table of Contents

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Required Supplementary Information:	
Safety Plan:	
Schedule of Proportionate Share of the Net Pension Liability	81
Schedule of Contributions	82
Miscellaneous Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	83
Schedule of Contributions	84
Other-Post Employment Benefit Plan:	
Schedule of Changes in the Total OPEB Liability and Related Ratios	85
Schedules of Revenues, Expenditures and Changes in	
Fund Balance - Budget and Actual:	
General Fund	86
Notes to Required Supplementary Information	89
Supplementary Information:	
General Fund:	
Consolidating Balance Sheet by Sub-Fund	91
Consolidating Schedule of Revenues, Expenditures and	92
Changes in Fund Balances by Sub-Fund	94
Schedules of Revenues, Expenditures and Changes in	
Fund Balance - Budget and Actual:	
Measure LL Fund	96
Open Space Fund	97
Capital Improvements Fund	98
Parking Authority Fund	99
Park In-Lieu Fund	100
Art In-Lieu Fund	101
Housing In-Lieu Fund	102
Transportation Infrastructure Fund	103
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, 2018
Table of Contents

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
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
Disaster Contingency Special Revenue Fund	114
Internal Service Funds:	115
Combining Statement of Net Position	116
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	117
Combining Statement of Cash Flows	118
Agency Funds:	121
Combining Statement of Fiduciary Assets and Liabilities	122
Statement of Changes in Fiduciary Assets and Liabilities	123

CITY OF LAGUNA BEACH, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018
Table of Contents

	<u>Page Number</u>
STATISTICAL SECTION:	
Financial Trends:	125
• Net Position by Component, Last Ten Fiscal Years	126
• Changes in Net Position, Last Ten Fiscal Years	128
• Fund Balances of Governmental Funds, Last Ten Fiscal Years	132
• Changes in Fund Balances of Governmental Funds, Last Ten Fiscal Years	134
Revenue Capacity:	136
• Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	137
• Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	138
• Principal Property Taxpayers, Current Fiscal Year and Nine Fiscal Years Ago	140
• Property Tax Levies and Collections, Last Ten Fiscal Years	141
Debt Capacity:	142
• Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	143
• Direct and Overlapping Debt	144
• Pledged Revenue Coverage, Last Ten Fiscal Years	145
• Legal Debt Margin Information, Last Ten Fiscal Years	146
Demographic and Economic Information:	148
• Demographic and Economic Statistics, Last Ten Fiscal Years	149
• Principal Employers, Last Fiscal Year	150
Operating Information:	151
• Full-Time City Employees by Function, Last Ten Fiscal Years	152
• Operating Indicators by Function, Last Ten Fiscal Years	154
• Capital Asset Statistics by Function, Last Ten Fiscal Years	156

INTRODUCTORY SECTION

This page intentionally left blank



January 31, 2019

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, 2018.

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, 2018, 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, 2018, 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 for, among other things, 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 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 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 in the process of slowing down. In his outlook for the national economy, UCLA Anderson Senior Economist David Schulman says that "growth will gradually taper off in the major sectors of the economy." Consumer

spending is expected to decrease to 2% by the fourth quarter of 2019 and to 1.5% by the fourth quarter of 2020. Housing starts will advance to 1.26 million units this year, up from 1.21 units in 2017 with modest gains to 1.31 million and 1.32 million units expected in 2019 and 2020, respectively. This level of activity lags below the 1.4-1.5 million units that would be consistent with long-run demand. In short, “housing activity remain in a rut,” says Shulman.

For California, UCLA Anderson Forecast anticipates the economy in 2020 will be slightly weaker, compliments of changes in fiscal policy and the risk of a trade war with China. California’s average unemployment rate is expected to remain at 4.6% through 2020 with total employment expected to grow in the mid-1% range in 2019 and slow to less than 1% in 2020. Real personal income growth is forecast to be in the upper 3% range in 2019 and will cool to just below 3% in 2020. Homebuilding will accelerate to about 140,000 units annually by the end of the forecast horizon in 2020.

The outlook for Orange County is similar. According to the December 2018 Chapman University Forecast, Orange County’s job growth will be 2.2% this year and slowing to 1.7% in 2019. “Growth will slow but it will continue and we will avoid the recession usually marked by a weakness in residential construction and investment,” Chapman President Emeritus Jim Doti said in his report.

The City of Laguna Beach continues to be a stable, prosperous, and financially secure municipality due to its strong underlying tax base, governance, and disciplined financial decisions. General Fund revenues were higher than expected primarily due to the higher property and transient occupancy taxes. It is anticipated that all three of the City’s 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 2017-2018 on a positive note with revenue exceeding the prior year for all major revenue sources. The City’s largest revenue source, property tax, experienced a 6.42% 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 16.08% over the prior year. This was due to a full year of the 2% voter approval in Measure LL funding and an increase in visitors. Sales tax revenue, the third largest revenue source, experienced a increase of 2.08% from the prior year. These results contributed to the City completing FY 2017-2018 in strong financial health. Total General Fund operating revenues exceeded operating expenditures by \$4.5 million, however, this amount is before transfers and budget carryovers (funds that have been obligated but not yet spent).

Long-term financial planning. The City’s biennial budget serves as the foundation for the City of Laguna Beach financial planning and control and allows the City Council to prioritize City expenditures. Appropriations for operating expenditures shall be balanced in relation to current revenue sources. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, whenever circumstances warrant. The City Council may authorize the use of contingency reserves (set at 20% of the General Fund Operating Budget) as set forth by City policy.

Over the next several years, Laguna Beach will be faced with balancing slowing 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 adopting the Landscape and Scenic Highways Element and revised Resource Document; developed citywide evacuation and hazard mitigation plan; groundbreaking of the Village Entrance Project; and continued improvements of City facilities and infrastructure improvements. Other successes include: the first dedicated School Resource Officer; implementation of the Police Department unmanned aerial system drone program, completed rehabilitation of the Thalia Street, Agate Street and Cleo Street beach access points; and continuing to implement the 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:

- Fire Safety
- Updates to the Downtown Specific Plan
- Historic Preservation Ordinance
- Completion of the Village Entrance Project
- Sewage System Improvements and Financing
- Unfunded Pension Costs

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 decision by CalPERS to lower the rate of return assumptions on the investment portfolio is anticipated to increase the City's employer contribution rate by 50% over the next four years, an increase that is expected to reach roughly \$2.8 million by FY 2021-22. The City Council understands the urgency of this issue and has already implemented a strategy to address this issue.

The lawsuit against Moulton Niguel Water District: Moulton Niguel Water District (MNWD) owes over \$2 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

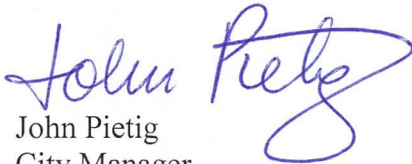
Awards: The City has received the award for excellence in financial reporting for the past three years.

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, 2017. This was the third 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.

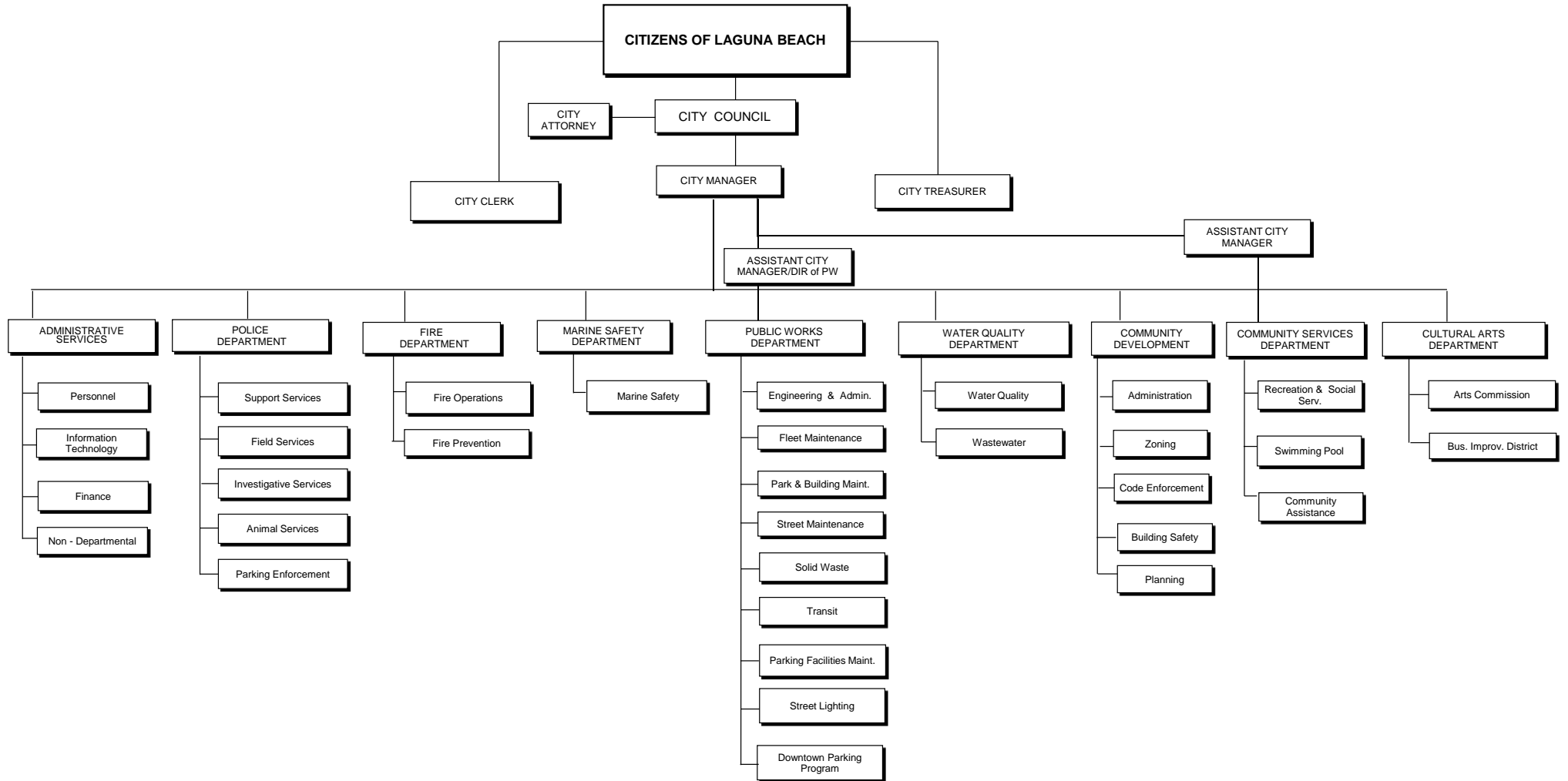
Respectfully submitted,


John Pietig
City Manager


Gavin Curran
Director of Administrative Services

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, 2017

Christopher P. Morrill

Executive Director/CEO

This page is intentionally left blank

FINANCIAL SECTION

This page intentionally left blank

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, 2018, 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, 2018, 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 Notes 1T and 19 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which required retrospective application resulting in a reduction of previously reported net position. 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 changes in the total OPEB liability and related ratios, 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.

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.

Other Matters (Continued)

Other Information (Continued)

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 January 30, 2019, 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
January 30, 2019

This page intentionally left blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank

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, 2018. 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Reconciliation to the balance sheet to the statement of net position • Statement of revenues, expenditures and changes in fund balances • Reconciliation of the statement of revenues, expenditures and changes to fund balances to the statement of activities 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting 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	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 112.2	\$106.3	\$7.3	\$4.0	\$119.5	\$110.3
Capital Assets	296.0	279.2	43.7	42.9	339.7	322.1
Total Assets	408.2	385.5	51.0	46.9	459.2	432.4
Deferred Outflows of Resources	20.2	16.4	1.0	1.0	21.2	17.4
Long-Term Debt Outstanding	72.3	64.5	9.9	5.9	82.2	70.4
Other Liabilities	9.8	8.5	0.9	0.8	10.7	9.3
Total Liabilities	82.1	73.0	10.8	6.7	92.9	79.7
Deferred Inflows of Resources	1.5	2.0	0.1	0.1	1.6	2.1
Net Position						
Net Investment in						
Capital Assets	296.0	279.2	41.1	39.7	337.1	318.9
Restricted	12.9	12.7	-	-	12.9	12.7
Unrestricted	35.9	35.0	0.1	1.4	36.0	36.4
Total Net Position	\$ 344.8	\$ 326.9	\$ 41.2	\$ 41.1	\$ 386.0	\$ 368.0

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 \$386.0 million as of June 30, 2018.

The largest portion of the City's net position, \$337.1 million (87.3%) 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 12.7% 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 \$12.9 million (3.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$36.0 million (9.4%) may be used to meet the government’s ongoing obligations to citizens and creditors.

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

The City’s total net position increased by \$18 million during the current fiscal year primarily due to contributed capital of \$14.2 million. The net position of governmental activities increased by \$17.9 million and business-type activities had an increase of \$125 thousand.

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

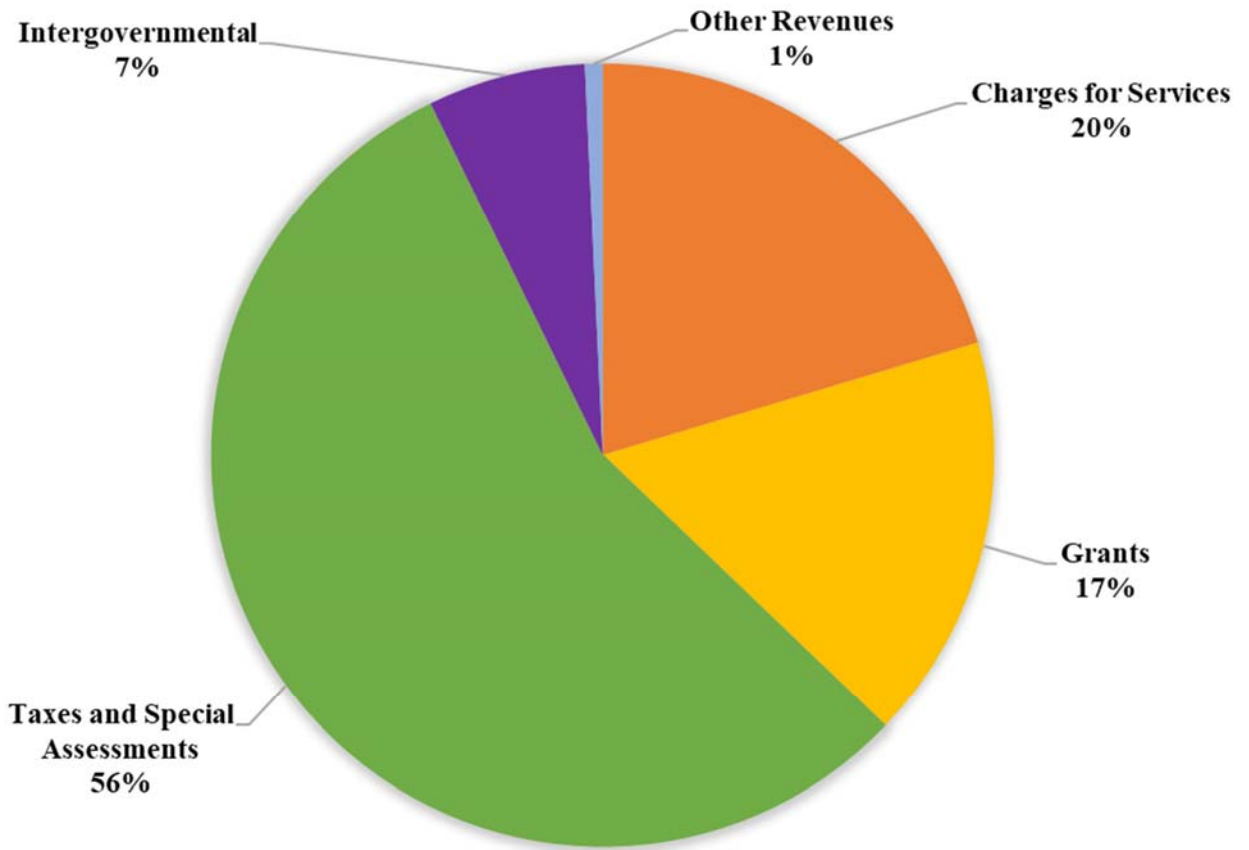
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$20,073	\$20,083	\$8,339	\$8,002	\$28,412	\$28,085
Operating Grants/Contributions	2,154	1,824	2,579	1,712	4,733	3,536
Capital Grants/Contributions	14,385	4,894	-	-	14,385	4,894
General Revenues						
Taxes and special assessments	54,795	50,480	-	-	54,795	50,480
Intergovernmental	6,418	6,267	-	-	6,418	6,267
Rental income		464	-	-	-	464
Investment income	309	36	17	18	326	54
Miscellaneous revenues	284	233	75	22	359	255
Gain (loss) on sale/disposal of capital assets	127	338	15	-	142	338
Total Revenues	<u>98,545</u>	<u>84,619</u>	<u>11,025</u>	<u>9,754</u>	<u>109,570</u>	<u>94,373</u>
Expenses:						
General government	5,999	6,156	-	-	5,999	6,156
Community development	5,638	5,066	-	-	5,638	5,066
Public safety	34,699	31,930	-	-	34,699	31,930
Public works	25,566	26,449	-	-	25,566	26,449
Recreation and social services	5,838	5,462	-	-	5,838	5,462
Municipal transit	-	-	3,704	3,137	3,704	3,137
Sewer Service	-	-	8,381	6,720	8,381	6,720
Total Expenses	<u>77,740</u>	<u>75,063</u>	<u>12,085</u>	<u>9,857</u>	<u>89,825</u>	<u>84,920</u>
Increase (Decrease) in Net Position Before Transfers	20,805	9,556	(1,060)	(103)	19,745	9,453
Transfers	<u>(1,304)</u>	<u>(1,450)</u>	<u>1,304</u>	<u>1,450</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	19,501	8,106	244	1,347	19,745	9,453
Net Position-Beginning, as restated	<u>325,275</u>	<u>318,779</u>	<u>40,945</u>	<u>39,717</u>	<u>366,220</u>	<u>358,496</u>
Net Position-Ending	<u>\$344,776</u>	<u>\$326,885</u>	<u>\$41,189</u>	<u>\$41,064</u>	<u>\$385,965</u>	<u>\$367,949</u>

The City's total revenues were \$109.5 million while the total expenditures were \$91.0 million. Property taxes were the City's largest revenue source at \$38.7 million (35.3% of total revenues and 39.3% of governmental revenues). Transient occupancy taxes at \$14.7 million (13.4% of total revenues and 14.9% of governmental revenues) and sales taxes, at \$6.1 million (5.6% of total revenues and 6.2% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes have increased approximately 6.4% due in part to higher than expected increases in supplemental property taxes. The City's sales taxes increased by 2.0% and transient lodging taxes increased approximately 16.1% over prior fiscal year primarily due to a full year of the voter approved 2% Measure LL Transient Occupancy Tax.

Governmental activities. The governmental activities' increase in net position of \$17.9 million activity accounted for 100% of the total growth in net position for the City this past year.

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

Revenues by Source – Governmental Activities



General government expenses (including City Council, City Manager, City Attorney, City Clerk, City Treasurer and Administrative Services) were 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 64% of the cost of these activities.

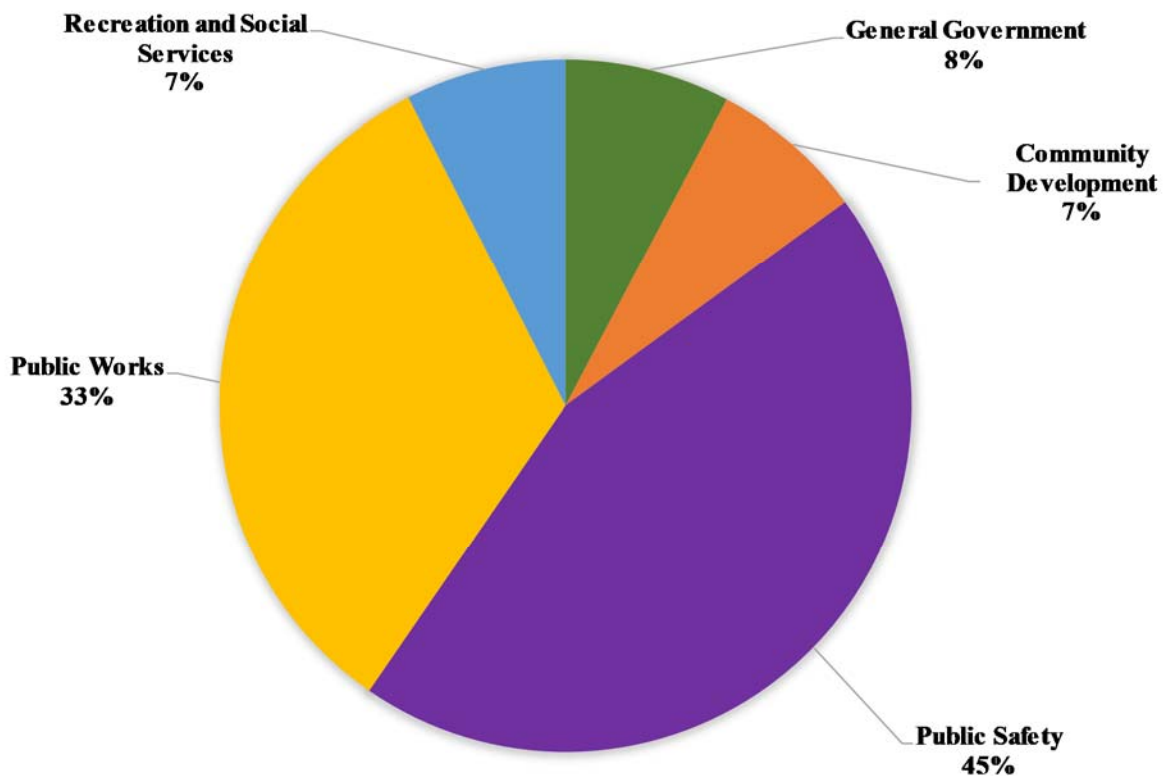
Public safety expenses comprised the largest component of governmental activities, approximately 45% of the total cost of governmental activities this past year. Charges for services, operating and capital grants, and contributions offset 8.3% of the cost of providing these services.

Public Works was the second largest governmental activity representing 33% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions helped to offset 39.5% 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 323% 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.

Expenses by Function – Governmental Activities



Business-type activities. Business-type activities of the City had an increase in net position of \$125 thousand. 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.

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, 2018, the governmental funds reported combined ending fund balances of \$81.2 million, an increase of \$1.1 million in comparison with the prior year. The City has \$2.1 million (2.6%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$12.3 million (15.1%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$7.2 million (8.9%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$38.3 million (47.2%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$21.3 million (26.2%) 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 \$120 thousand during the fiscal year ending June 30, 2018. In addition, reasons for changes in the revenues and expenditures of the City's General Fund from the prior year include:

- Revenues increased by \$4.6 million compared to the prior year. Of that amount, \$2.3 million was from an increase in property taxes, \$2.1 million from transient occupancy taxes, and \$100 thousand in sales tax revenue.
- Expenditures increased \$10.5 million compared to the prior year primarily due to increase spending for capital improvement projects and public safety.

The City's other major fund is the Assessment District Fund capital projects fund.

- The Assessment District Fund, a Capital Projects Fund, has a total fund balance of \$1.0 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. The fund balance decreased by \$133 thousand due to the drawdown of bond proceeds to pay for the completion of utility undergrounding capital improvement projects.

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

The unrestricted net position of the Municipal Transit Fund and Sewer Service Fund at the end of the fiscal year amounted to \$133 thousand. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the original budget and the final amended budget of the General Fund totaled \$12.8 million, and significant items can be briefly summarized as follows:

- \$8.4 million increase for carryover appropriations, items appropriated in a prior fiscal year that have not yet been spent.
- \$1.6 million toward information technology improvements and an information technology master plan.
- \$500 thousand as a reserve for potential legal fees
- \$450 thousand toward a reserve for expected future increases associated with the California Public Employees Retirement System (CalPERS).
- \$250 thousand each for the Laguna Beach Museum of Art and the Laguna Beach Playhouse for facility improvements under the Cultural Facilities Grant Improvement Program.

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

- Total revenues were \$1.4 million above final budgeted revenues for the year ended June 30, 2018. The favorable variance includes increases in property taxes, transient lodging taxes, construction permits and intergovernmental revenues.
- Total expenditures were under the budgeted amount by \$11.3 million, mostly as a result of special programs, capital equipment, and capital projects not yet completed or deferred to next fiscal year. The remaining budget, or appropriation, for these programs is carried over to the next fiscal year.

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

CAPITAL ASSETS

	Capital Assets - Net of Depreciation					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 89,620,039	88,181,661	196,106	196,106	89,816,145	88,377,767
Buildings and Improvements	47,824,016	35,250,453	1,257,600	1,320,993	49,081,616	36,571,446
Office Equipment & Machinery	2,269,980	2,728,049	40,142	61,516	2,310,122	2,789,565
Furniture and Fixtures	1,739,366	1,727,348	43,123	44,344	1,782,489	1,771,692
Equipment Machinery & Tools	2,744,004	2,650,593	244,913	297,696	2,988,917	2,948,289
Sewer Plant and Lines	-	-	32,198,136	31,199,555	32,198,136	31,199,555
Capacity Rights	-	-	6,090,441	6,766,105	6,090,441	6,766,105
Automotive Equipment	4,062,246	2,870,197	3,293,961	2,614,807	7,356,207	5,485,004
Infrastructure	135,734,951	139,167,746	-	-	135,734,951	139,167,746
Construction in Progress	11,990,791	6,656,909	410,691	380,743	12,401,482	7,037,652
Total	\$ 295,985,393	279,232,956	43,775,113	42,881,865	339,760,506	322,114,821

The major changes to the capital assets during the year ended June 30, 2018, were renovating City Hall West offices at 479 Ocean Avenue for the Public Works Department; rehabilitated the Bluebird SOCWA and Laguna SOCWA sewage lift station wet well; re-routed a storm drain away from homes to the end of Dorn Court; and rehabilitated three beach access points that provide for an easier, safer and more appealing experience for visitors. 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 note 4 to the financial statements.

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2014
Installment Agreement	\$ -	-	6,718,867	3,130,810	6,718,867	3,130,810
Total	\$ -	-	6,718,867	3,130,810	6,718,867	3,130,810

The City’s total debt increased by \$3.5 million (114%) during the current fiscal year. This increase in outstanding debt was due to additional borrowing to fund capital improvements to the City’s sewer system. 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 6, 10, 11, and 14 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

This page intentionally left blank

CITY OF LAGUNA BEACH
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water District
ASSETS				
Cash and investments	\$ 98,940,823	\$ 1,593,955	\$ 100,534,778	\$ 16,113,143
Cash with fiscal agent	297,113	-	297,113	-
Receivables:				
Taxes	5,732,015	72,921	5,804,936	45,002
Accounts	2,085,409	9,073	2,094,482	1,683,037
Interest	101,122	-	101,122	84,301
Intergovernmental	336,552	1,567,041	1,903,593	-
Ibank installment agreement	-	4,000,000	4,000,000	-
Notes	922,848	-	922,848	163,463
Prepays	2,029,668	-	2,029,668	98,572
Inventory	59,394	-	59,394	255,845
Computer loans to employees	-	-	-	10,987
Property for housing program	1,743,653	-	1,743,653	-
Capital assets, not being depreciated	101,610,830	606,797	102,217,627	5,339,257
Capital assets, being depreciated	194,374,563	43,168,316	237,542,879	49,623,884
Total Assets	<u>408,233,990</u>	<u>51,018,103</u>	<u>459,252,093</u>	<u>73,417,491</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pension plans	<u>20,275,950</u>	<u>1,045,557</u>	<u>21,321,507</u>	<u>1,905,412</u>
LIABILITIES				
Accounts payable and accrued liabilities	6,545,856	487,205	7,033,061	1,089,291
Deposits	25,570	-	25,570	87,755
Due to other government agencies	56,433	-	56,433	-
Unearned revenues	380,451	9,634	390,085	-
Noncurrent liabilities:				
Due within one year	2,812,697	439,029	3,251,726	704,145
Due in more than one year:				
Other long-term liabilities	7,889,703	6,359,036	14,248,739	1,492,436
Total OPEB liability	1,942,450	117,412	2,059,862	737,756
Net pension liability	62,500,290	3,418,878	65,919,168	5,924,716
Total Liabilities	<u>82,153,450</u>	<u>10,831,194</u>	<u>92,984,644</u>	<u>10,036,099</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to OPEB plan	-	-	-	5,411
Deferred amounts related to pension plans	1,580,894	42,972	1,623,866	504,057
Total Deferred Inflows of Resources	<u>1,580,894</u>	<u>42,972</u>	<u>1,623,866</u>	<u>509,468</u>
NET POSITION				
Net investment in capital assets	295,985,393	41,056,246	337,041,639	53,103,141
Restricted for:				
Capital projects	957,925	-	957,925	-
Parking in-lieu	920	-	920	-
Park in-lieu	528,021	-	528,021	-
Art in-lieu	361,880	-	361,880	-
Drainage	70,872	-	70,872	-
Housing in-lieu	647,168	-	647,168	-
Transportation infrastructure	72,905	-	72,905	-
Street lighting district	8,598,721	-	8,598,721	-
Street projects	1,657,622	-	1,657,622	-
Public safety	1,238	-	1,238	-
Unrestricted	35,892,931	133,248	36,026,179	11,674,195
Total Net Position	<u>\$ 344,775,596</u>	<u>\$ 41,189,494</u>	<u>\$ 385,965,090</u>	<u>\$ 64,777,336</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary Government:					
Governmental Activities:					
General government	\$ 5,999,777	\$ 1,095,550	\$ -	\$ -	\$ 1,095,550
Community development	5,638,445	3,620,227	185	-	3,620,412
Public safety	34,698,566	1,643,406	1,251,566	-	2,894,972
Public works	25,566,306	9,169,286	784,237	149,583	10,103,106
Recreation and social services	5,838,148	4,544,920	118,150	14,235,142	18,898,212
Total Governmental Activities	<u>77,741,242</u>	<u>20,073,389</u>	<u>2,154,138</u>	<u>14,384,725</u>	<u>36,612,252</u>
Business-type Activities:					
Municipal transit	3,703,612	288,339	2,579,238	-	2,867,577
Sewer service	8,381,044	8,050,631	-	-	8,050,631
Total Business-type Activities	<u>12,084,656</u>	<u>8,338,970</u>	<u>2,579,238</u>	<u>-</u>	<u>10,918,208</u>
Total Primary Government	<u>\$ 89,825,898</u>	<u>\$ 28,412,359</u>	<u>\$ 4,733,376</u>	<u>\$ 14,384,725</u>	<u>\$ 47,530,460</u>
Component Unit:					
Water District	<u>\$ 13,129,300</u>	<u>\$ 11,414,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,414,642</u>

General Revenues:

Taxes:

Transient occupancy tax

Property tax

Franchise tax

Other

Intergovernmental

Intergovernmental revenue - sales tax and sales tax in-lieu

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Water District
\$ (4,904,227)	\$ -	\$ (4,904,227)	\$ -
(2,018,033)	-	(2,018,033)	-
(31,803,594)	-	(31,803,594)	-
(15,463,200)	-	(15,463,200)	-
13,060,064	-	13,060,064	-
<u>(41,128,990)</u>	<u>-</u>	<u>(41,128,990)</u>	<u>-</u>
-	(836,035)	(836,035)	-
-	(330,413)	(330,413)	-
-	<u>(1,166,448)</u>	<u>(1,166,448)</u>	<u>-</u>
<u>(41,128,990)</u>	<u>(1,166,448)</u>	<u>(42,295,438)</u>	<u>-</u>
			<u>(1,714,658)</u>
14,708,047	-	14,708,047	-
38,727,313	-	38,727,313	2,993,424
1,212,199	-	1,212,199	-
147,903	-	147,903	-
293,325	-	293,325	41,848
6,124,970	-	6,124,970	-
308,576	17,193	325,769	(16,239)
126,977	15,138	142,115	-
283,600	74,577	358,177	-
<u>61,932,910</u>	<u>106,908</u>	<u>62,039,818</u>	<u>3,019,033</u>
<u>(1,303,635)</u>	<u>1,303,635</u>	<u>-</u>	<u>-</u>
19,500,285	244,095	19,744,380	1,304,375
<u>325,275,311</u>	<u>40,945,399</u>	<u>366,220,710</u>	<u>63,472,961</u>
<u>\$ 344,775,596</u>	<u>\$ 41,189,494</u>	<u>\$ 385,965,090</u>	<u>\$ 64,777,336</u>

This page intentionally left blank

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, 2018

	ASSETS	<u>General</u>	<u>Capital Projects Assessment Districts</u>
Cash and investments		\$ 65,116,892	\$ 872,292
Cash with fiscal agent		-	297,113
Receivables:			
Taxes		5,716,411	-
Accounts		715,303	-
Interest		101,122	-
Intergovernmental		170,934	-
Notes		348,000	-
Prepays		1,430,764	-
Inventory		59,394	-
Advances to other funds		-	-
		<u>-</u>	<u>-</u>
Total Assets		<u>\$ 73,658,820</u>	<u>\$ 1,169,405</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities		\$ 5,070,188	\$ 196,980
Deposits		11,070	14,500
Due to other governmental agencies		56,433	-
Unearned revenue		380,451	-
Advances from other funds		4,492,508	-
		<u>10,010,650</u>	<u>211,480</u>
Fund Balances:			
Nonspendable		1,490,158	-
Restricted		1,681,766	957,925
Committed		885,622	-
Assigned		38,308,560	-
Unassigned		21,282,064	-
		<u>63,648,170</u>	<u>957,925</u>
Total Fund Balances		<u>63,648,170</u>	<u>957,925</u>
Total Liabilities and Fund Balances		<u>\$ 73,658,820</u>	<u>\$ 1,169,405</u>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 14,350,834	\$ 80,340,018
-	297,113
15,604	5,732,015
-	715,303
-	101,122
165,618	336,552
155,674	503,674
598,904	2,029,668
-	59,394
<u>1,500,000</u>	<u>1,500,000</u>
<u>\$ 16,786,634</u>	<u>\$ 91,614,859</u>
\$ 208,357	\$ 5,475,525
-	25,570
-	56,433
-	380,451
-	4,492,508
<u>208,357</u>	<u>10,430,487</u>
598,904	2,089,062
9,658,677	12,298,368
6,320,696	7,206,318
-	38,308,560
-	21,282,064
<u>16,578,277</u>	<u>81,184,372</u>
<u>\$ 16,786,634</u>	<u>\$ 91,614,859</u>

This page intentionally left blank

CITY OF LAGUNA BEACH
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Fund balances - total governmental funds	\$	81,184,372
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 \$4,028,170 of internal service fund net capital assets:		
Capital assets		408,137,234
Accumulated depreciation		(116,180,011)
Pension and OPEB 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 and OPEB are only reported in the Statement of Net Position as the changes in these amounts effect only the government-wide statements for governmental activities:		
Total OPEB liability		(1,942,450)
Net pension liability		(62,500,290)
Deferred outflows of resources related to pensions		20,275,950
Deferred inflows of resources related to pensions		(1,580,894)
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.		
		17,381,685
Net position of governmental activities	\$	344,775,596

CITY OF LAGUNA BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2018

	General	Capital Projects Assessment Districts
Revenues:		
Taxes	\$ 59,704,144	\$ -
Licenses and permits	1,563,386	-
Fines and penalties	1,056,371	-
Investment income, net	147,324	24,471
Rental	457,540	-
Intergovernmental	1,862,974	-
Charges for services	8,711,740	-
Parking meters, lots, and permits	6,994,805	-
Development tax	178,875	-
Contributions from property owners	32,723	-
Other	618,968	-
	<u>81,328,850</u>	<u>24,471</u>
Expenditures:		
Current:		
General government	5,795,153	-
Community development	5,598,168	-
Public safety	34,592,292	-
Public works	14,411,947	-
Recreation and social services	5,305,605	-
Capital outlay	11,057,735	157,486
	<u>76,760,900</u>	<u>157,486</u>
Total Expenditures		
	<u>76,760,900</u>	<u>157,486</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,567,950</u>	<u>(133,015)</u>
Other Financing Sources (Uses):		
Transfers in	155,000	-
Transfers out	(4,602,020)	-
	<u>(4,447,020)</u>	<u>-</u>
Total Other Financing Sources (Uses)		
	<u>(4,447,020)</u>	<u>-</u>
Net Change in Fund Balances	120,930	(133,015)
Fund Balances, Beginning of Year	<u>63,527,240</u>	<u>1,090,940</u>
Fund Balances, End of Year	<u>\$ 63,648,170</u>	<u>\$ 957,925</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,055,558	\$ 61,759,702
-	1,563,386
430	1,056,801
130,562	302,357
-	457,540
645,858	2,508,832
-	8,711,740
-	6,994,805
-	178,875
-	32,723
-	618,968
<u>2,832,408</u>	<u>84,185,729</u>
-	5,795,153
-	5,598,168
-	34,592,292
1,593,500	16,005,447
-	5,305,605
<u>2,136,401</u>	<u>13,351,622</u>
<u>3,729,901</u>	<u>80,648,287</u>
<u>(897,493)</u>	<u>3,537,442</u>
1,958,000	2,113,000
-	<u>(4,602,020)</u>
<u>1,958,000</u>	<u>(2,489,020)</u>
1,060,507	1,048,422
<u>15,517,770</u>	<u>80,135,950</u>
<u>\$ 16,578,277</u>	<u>\$ 81,184,372</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 1,048,422

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. This does not include internal service fund activity of \$1,228,388 in net additions and \$689,725 in depreciation expense:

Depreciation expense	(7,745,736)
Purchases of capital assets recorded in governmental funds	9,900,158
Net effect of various transactions involving capital assets (i.e. sales, retirements)	(175,790)
Capital contributed by lessee	14,235,142

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Pension expense reported 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.	(1,557,934)
--	-------------

OPEB expense reported in the governmental funds includes the insurance premiums paid. In the Statement of Activities, OPEB expense includes the change in the total OPEB liability, and the related changes in OPEB amounts for deferred outflows of resources and deferred inflows of resources.	12,625
---	--------

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.

3,783,398

Change in net position of governmental activities \$ 19,500,285

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, 2018

	Business-Type Activities			Governmental
	Municipal Transit	Sewer Service	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	\$ 308,535	\$ 1,285,420	\$ 1,593,955	\$ 18,600,805
Receivables:				
Taxes	-	72,921	72,921	-
Accounts	9,073	-	9,073	1,370,106
Intergovernmental	1,567,041	-	1,567,041	-
Ibank installment agreement	-	4,000,000	4,000,000	-
Total Current Assets	<u>1,884,649</u>	<u>5,358,341</u>	<u>7,242,990</u>	<u>19,970,911</u>
Noncurrent Assets:				
Advances to other funds	-	-	-	2,992,508
Notes receivable	-	-	-	419,174
Property for housing program	-	-	-	1,743,653
Capital assets, not being depreciated	196,106	410,691	606,797	-
Capital assets, net of depreciation	3,791,999	39,376,317	43,168,316	4,028,170
Total Noncurrent Assets	<u>3,988,105</u>	<u>39,787,008</u>	<u>43,775,113</u>	<u>9,183,505</u>
Total Assets	<u>5,872,754</u>	<u>45,145,349</u>	<u>51,018,103</u>	<u>29,154,416</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	<u>174,260</u>	<u>871,297</u>	<u>1,045,557</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	251,081	236,124	487,205	1,070,331
Unearned revenue	9,634	-	9,634	-
Compensated absences, due within one year	3,897	11,943	15,840	796,047
Insurance claims payable, due within one year	-	-	-	2,016,650
I Bank installment agreements, due within one year	-	423,189	423,189	-
Total Current Liabilities	<u>264,612</u>	<u>671,256</u>	<u>935,868</u>	<u>3,883,028</u>
Noncurrent Liabilities:				
Compensated absences	15,587	47,771	63,358	3,184,189
Insurance claims payable	-	-	-	4,705,514
I Bank installment agreements	-	6,295,678	6,295,678	-
Total OPEB liability	20,598	96,814	117,412	-
Net pension liability	509,662	2,909,216	3,418,878	-
Total Noncurrent Liabilities	<u>545,847</u>	<u>9,349,479</u>	<u>9,895,326</u>	<u>7,889,703</u>
Total Liabilities	<u>810,459</u>	<u>10,020,735</u>	<u>10,831,194</u>	<u>11,772,731</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	<u>7,162</u>	<u>35,810</u>	<u>42,972</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	3,988,105	37,068,141	41,056,246	4,028,170
Unrestricted	<u>1,241,288</u>	<u>(1,108,040)</u>	<u>133,248</u>	<u>13,353,515</u>
Total Net Position	<u>\$ 5,229,393</u>	<u>\$ 35,960,101</u>	<u>\$ 41,189,494</u>	<u>\$ 17,381,685</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, 2018

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Operating Revenues:				
Passenger revenues	\$ 288,339	\$ -	\$ 288,339	\$ -
Vehicle rentals	-	-	-	1,643,317
Employee benefits charges	-	-	-	817,300
Insurance charges	-	-	-	10,489,040
Charges for services	-	8,050,631	8,050,631	-
Total Operating Revenues	<u>288,339</u>	<u>8,050,631</u>	<u>8,338,970</u>	<u>12,949,657</u>
Operating Expenses:				
Personnel services	2,194,392	1,725,642	3,920,034	-
Contractual services	271,800	3,064,202	3,336,002	-
Materials and supplies	521,303	1,741,613	2,262,916	-
Administration	435,274	10,833	446,107	124,697
Employee benefits	-	-	-	960,220
Insurance claims and premiums	-	-	-	8,701,293
Depreciation	280,843	1,735,451	2,016,294	689,725
Total Operating Expenses	<u>3,703,612</u>	<u>8,277,741</u>	<u>11,981,353</u>	<u>10,475,935</u>
Operating Income (Loss)	<u>(3,415,273)</u>	<u>(227,110)</u>	<u>(3,642,383)</u>	<u>2,473,722</u>
Nonoperating Revenues (Expenses):				
Investment income	-	17,193	17,193	6,219
Intergovernmental	2,569,675	9,563	2,579,238	-
Interest expense	-	(85,169)	(85,169)	-
Gain (loss) on disposal of capital assets	15,138	(18,134)	(2,996)	118,072
Other revenue	-	74,577	74,577	-
Total Nonoperating Revenues (Expenses)	<u>2,584,813</u>	<u>(1,970)</u>	<u>2,582,843</u>	<u>124,291</u>
Income (Loss) Before Transfers	<u>(830,460)</u>	<u>(229,080)</u>	<u>(1,059,540)</u>	<u>2,598,013</u>
Transfers:				
Transfers in	1,458,635	-	1,458,635	1,642,920
Transfers out	-	(155,000)	(155,000)	(457,535)
Total Transfers	<u>1,458,635</u>	<u>(155,000)</u>	<u>1,303,635</u>	<u>1,185,385</u>
Change in Net Position	628,175	(384,080)	244,095	3,783,398
Net Position, Beginning of Year, as restated	<u>4,601,218</u>	<u>36,344,181</u>	<u>40,945,399</u>	<u>13,598,287</u>
Net Position, End of Year	<u>\$ 5,229,393</u>	<u>\$ 35,960,101</u>	<u>\$ 41,189,494</u>	<u>\$ 17,381,685</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 342,161	\$ 8,051,243	\$ 8,393,404	\$ -
Cash received from user departments	-	-	-	11,601,736
Cash payments to suppliers for goods and services	(1,051,451)	(4,909,988)	(5,961,439)	(8,706,774)
Cash payments to employees for services	(2,161,248)	(1,591,864)	(3,753,112)	(612,178)
Net Cash Provided by (Used for) Operating Activities	<u>(2,870,538)</u>	<u>1,549,391</u>	<u>(1,321,147)</u>	<u>2,282,784</u>
Cash Flows from Noncapital Financing Activities:				
Operating grant proceeds received	811,891	9,563	821,454	-
Cash received from insurance	-	96,472	96,472	-
Cash received from other funds	1,030,182	-	1,030,182	1,642,920
Cash paid to other funds	-	(155,000)	(155,000)	(29,082)
Cash received from operating grants - TDA	928,338	-	928,338	-
Cash received for payment on advance to other funds	-	-	-	722,723
Cash received related to housing program	-	-	-	18,877
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>2,770,411</u>	<u>(48,965)</u>	<u>2,721,446</u>	<u>2,355,438</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(480,211)	(2,017,870)	(2,498,081)	(831,087)
Purchase of capital assets for transit enterprise fund	-	-	-	(428,453)
Proceeds from sale of capital assets	13,996	-	13,996	55,021
Principal paid on long-term debt	-	(411,943)	(411,943)	-
Interest paid on long-term debt	-	(79,849)	(79,849)	-
Net Cash Used for Capital and Related Financing Activities	<u>(466,215)</u>	<u>(2,509,662)</u>	<u>(2,975,877)</u>	<u>(1,204,519)</u>
Cash Flows from Investing Activities:				
Interest received	-	17,193	17,193	6,219
Net Cash Provided by Investing Activities	<u>-</u>	<u>17,193</u>	<u>17,193</u>	<u>6,219</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(566,342)	(992,043)	(1,558,385)	3,439,922
Cash and Cash Equivalents, Beginning of Year	<u>874,877</u>	<u>2,277,463</u>	<u>3,152,340</u>	<u>15,160,883</u>
Cash and Cash Equivalents, End of Year	<u>\$ 308,535</u>	<u>\$ 1,285,420</u>	<u>\$ 1,593,955</u>	<u>\$ 18,600,805</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2018
(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)	\$ (3,415,273)	\$ (227,110)	\$ (3,642,383)	\$ 2,473,722
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	280,843	1,735,451	2,016,294	689,725
Changes in assets and deferred outflows of resources:				
(Increase) decrease in accounts receivable	52,459	-	52,459	(1,347,921)
(Increase) decrease in taxes receivable	-	612	612	-
(Increase) decrease in prepaids	16,339	-	16,339	-
(Increase) decrease in deferred outflows of resources	(15,503)	(77,512)	(93,015)	-
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in accounts payable and accrued liabilities	160,587	(93,340)	67,247	222,021
Increase (decrease) in unearned revenue	1,363	-	1,363	-
Increase (decrease) in compensated absences payable	8,075	8,388	16,463	348,042
Increase (decrease) in insurance claims payable	-	-	-	(102,805)
Increase (decrease) in total OPEB liability	(135)	(629)	(764)	-
Increase (decrease) in net pension liability	49,556	247,780	297,336	-
Increase (decrease) in deferred inflows of resources	(8,849)	(44,249)	(53,098)	-
 Net Cash Provided by (Used for) Operating Activities	 <u>\$ (2,870,538)</u>	 <u>\$ 1,549,391</u>	 <u>\$ (1,321,147)</u>	 <u>\$ 2,282,784</u>
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Trade-in value of disposed capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,174</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2018

ASSETS

Cash and investments	\$ 4,104,967
Investments with fiscal agent	664,732
Receivables:	
Taxes	11,573
Intergovernmental	<u>2,572</u>
 Total Assets	 <u><u>\$ 4,783,844</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 67,364
Deposits	3,025,834
Due to bondholders	<u>1,690,646</u>
 Total Liabilities	 <u><u>\$ 4,783,844</u></u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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 District's application to become a subsidiary district of the City of Laguna Beach, effective November 1, 2000. The District has a separately issued report that can be obtained from: Laguna Beach County Water District, 306 Third Street, Laguna Beach, California, 92652.

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

B. Basis of Accounting and Measurement Focus

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

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

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

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. 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.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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

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

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

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

Fund Financial Statements

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

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

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds

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

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

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

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

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

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.

Proprietary and Fiduciary Funds

The City's enterprise 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 record 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, 2018

**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, 2018 were as follows:

General Fund	\$	3,169,520
Assessment Districts Capital Projects Fund		337,100
Non-Major Governmental Funds		210,400
Municipal Transit Enterprise Fund		1,700
Sewer Service Enterprise Fund		164,000
Internal Service Funds		42,200
Total Encumbrances	\$	<u>3,924,920</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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

E. Cash and Investments

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

Investments are reported at fair value. 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, 2018

**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, therefore, is recorded at 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, 2018

***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, 2018

***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 \$62,201,288 and the minimum reserve requirement was \$12,440,258. The City's General Fund (single fund, not combined) reported \$21,282,064 of unassigned fund balance as of June 30, 2018.

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, 2018

***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, changes of assumptions, and 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 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.

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 expected and actual experience, changes of assumptions, and 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.

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.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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

T. New GASB Pronouncements

Current Year Standards

In fiscal year 2017-2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased (increased) the net position at July 1, 2017 of the governmental activities, business-type activities, Municipal Transit Enterprise Fund, Sewer Service Enterprise Fund, and Internal Service Funds by \$1,610,684, \$118,176, \$20,733, \$97,443, and \$(344,391), respectively.

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, and did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the City.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the City.

Pending Accounting Standards

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

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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

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.

NOTE 2 - CASH AND INVESTMENTS

Cash and Investments

Cash and investments of the primary government as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments - governmental activities	\$ 98,940,823
Cash with fiscal agent - governmental activities	297,113
Cash and investments - business-type activities	1,593,955

Statement of Fiduciary Assets and Liabilities:

Cash and investments	4,104,967
Investments with fiscal agent	664,732
Total cash and investments	<u>\$ 105,601,590</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand (petty cash and change funds)	\$ 5,600
Deposits with financial institutions	9,683,750
Cash held by bond fiscal agent	356,221
Investments	94,950,395
Investments held by bond fiscal agent	605,624
Total cash and investments	<u>\$ 105,601,590</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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.

Investment Types Authorized by State Law or the City's Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
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%	2%
Certificates of Deposit	5 years	25%	N/A***
Medium-Term Corporate Notes	5 years	25%	2%
Bank Deposits	N/A	25%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65,000,000
Supranational Securities	5 years	2%	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.

Disclosures Relating to Interest Rate Risk

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

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months*	
Federal Agency Securities	\$ 9,460,323	\$ 16,493,920	\$ 40,076,629	\$ -	\$ 66,030,872
Municipal Bonds	1,992,940	823,742	3,588,318	575,993	6,980,993
Local Agency Investment Fund	12,108,750	-	-	-	12,108,750
Medium-Term Notes	999,760	3,447,510	3,429,020	-	7,876,290
Supranational	-	-	1,953,490	-	1,953,490
Held by Bond Fiscal Agent:					
Local Agency Investment Fund	605,624	-	-	-	605,624
Total	<u>\$ 25,167,397</u>	<u>\$ 20,765,172</u>	<u>\$ 49,047,457</u>	<u>\$ 575,993</u>	<u>\$ 95,556,019</u>

* - City Council has approved the investment in the City of Laguna Beach assessment district debt/bonds in the amount of \$575,993, 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.

Investment Type	Total	Minimum Legal Rating	Minimum Rating							Not Rated
			AAA	AA+	AA	AA-	A+	A	A-	
Federal Agency Securities	\$ 66,030,872	N/A	\$ -	\$ 66,030,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	6,980,993	A*	-	-	823,742	5,581,258	-	-	-	575,993
Local Agency Investment Fund	12,108,750	N/A	-	-	-	-	-	-	-	12,108,750
Medium-Term Notes	7,876,290	A	984,310	-	-	2,929,900	990,520	1,985,280	986,280	-
Supranational	1,953,490	AA	1,953,490	-	-	-	-	-	-	-
Held by Bond Fiscal Agent:										
Local Agency Investment Fund	605,624	N/A	-	-	-	-	-	-	-	605,624
Total	<u>\$95,556,019</u>		<u>\$2,937,800</u>	<u>\$66,030,872</u>	<u>\$823,742</u>	<u>\$ 8,511,158</u>	<u>\$ 990,520</u>	<u>\$1,985,280</u>	<u>\$ 986,280</u>	<u>\$13,290,367</u>

* City of Laguna Beach debt/bonds in the amount of \$575,993 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.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

Investments in any one issuer (other than external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Farm Credit Bank	Federal Agency Securities	\$ 21,149,544
Federal Home Loan Bank	Federal Agency Securities	8,196,035
Federal National Mortgage Association	Federal Agency Securities	16,628,138
Federal Home Loan Mortgage Corporation	Federal Agency Securities	17,353,795

Custodial Credit Risk

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

The California Government Code 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.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool (Continued)

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. 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 quoted prices for similar assets in active markets (significant other observable inputs), and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
Federal Agency Securities	\$ 66,030,872	\$ -	\$ 66,030,872	\$ -
Municipal Bonds	6,980,993	-	6,348,000	632,993
Medium-Term Notes	7,876,290	-	7,876,290	-
Supranational	1,953,490	-	1,953,490	-
Total Subject to Hierarchy	<u>82,841,645</u>	<u>\$ -</u>	<u>\$ 82,208,652</u>	<u>\$ 632,993</u>
Uncategorized (Not Subject to Hierarchy)				
Local Agency Investment Fund	12,108,750			
Held by Bond Fiscal Agent:				
Local Agency Investment Fund	605,624			
Total Investment Portfolio	<u>\$ 95,556,019</u>			

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 3 - INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2018 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	\$ 2,292,508
Internal Service Fund	General Fund	700,000
Nonmajor Governmental Funds	General Fund	1,500,000
		<u>\$ 4,492,508</u>

During 2010, the City authorized an interfund borrowing to fund the payoff 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 2017-2018 was principal of \$722,723 and interest of \$134,355 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>
2018 - 2019	\$ 742,850
2019 - 2020	763,538
2020 - 2021	784,802
2021 - 2022	806,858
2022 - 2023	829,123
2023 - 2024	565,337
	<u>\$ 4,492,508</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 3 - INTERFUND ACTIVITY (CONTINUED)

Transfers

Interfund transfers at June 30, 2018 consisted of the following:

Transfer In	General Fund	Nonmajor Governmental Funds	Sewer Service Enterprise Fund	Internal Service Funds	Total
General Fund	\$ -	\$ -	\$ 155,000	\$ -	\$ 155,000
Non-Major Governmental Funds	1,958,000	-	-	-	1,958,000
Municipal Transit Enterprise Fund	1,001,100	-	-	457,535	1,458,635
Internal Service Funds	1,642,920	-	-	-	1,642,920
	\$ 4,602,020	\$ -	\$ 155,000	\$ 457,535	\$ 5,214,555

Transfers were used to:

1. Transfers from the General Fund to the Street Lighting District Special Revenue Nonmajor Fund in the amount of \$1,000,000 were for expenditures related to the Utility Undergrounding Project.
2. Transfers from the Sewer Service Enterprise Fund to the General Fund in the amount of \$155,000 were for the Dewitt Property Project.
3. Transfers from the General Fund to the Gas Tax Fund Special Revenue Nonmajor Fund in the amount of \$318,000 were for Street Slurry Seal and Rehabilitation Project and \$640,000 for the Coast Highway Intersection Improvements Project.
4. Transfers from the General Fund to the Municipal Transit Enterprise Fund in the amount of \$51,800 were for the purchase of a Sally's Fund Van, \$145,000 for continuation off-season neighborhood service, \$41,000 for the Summer Parking Plan, \$23,000 for the computer aided dispatch/automated vehicle locators project, and \$740,300 to cover the balance of operating and capital expenses not funded from grants and other revenues.
5. Transfers from the Internal Services Funds to the Municipal Transit Enterprise Fund in the amount of \$457,535 were for the purchase of a van and two trolleys.
6. Transfers from the General Fund to the Internal Service Funds in the amount of \$1,000,000 were to fund the increase in insurance claims submitted to the City, \$500,000 were for future vehicle replacement, and \$142,920 were to fund the increase in compensated absences.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
<u>Governmental Activities</u>				
Capital assets, not depreciated:				
Land	\$ 88,181,661	\$ 1,438,378	\$ -	\$ 89,620,039
Construction in progress	6,656,909	6,359,718	(1,025,836)	11,990,791
Total capital assets, not depreciated	<u>94,838,570</u>	<u>7,798,096</u>	<u>(1,025,836)</u>	<u>101,610,830</u>
Capital assets, being depreciated:				
Buildings and improvements	60,361,736	14,892,712	(60,115)	75,194,333
Office equipment and machinery	6,932,298	172,963	(1,882,396)	5,222,865
Furniture and fixtures	2,222,083	56,875	(30,376)	2,248,582
Equipment, machinery, and tools	5,713,757	586,015	(439,588)	5,860,184
Automotive equipment	8,218,255	1,898,466	(996,600)	9,120,121
Infrastructure	<u>216,884,148</u>	<u>998,520</u>	<u>-</u>	<u>217,882,668</u>
Total capital assets, being depreciated	<u>300,332,277</u>	<u>18,605,551</u>	<u>(3,409,075)</u>	<u>315,528,753</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,111,283)	(2,319,149)	60,115	(27,370,317)
Office equipment and machinery	(4,204,249)	(545,125)	1,796,489	(2,952,885)
Furniture and fixtures	(494,735)	(35,266)	20,785	(509,216)
Equipment, machinery, and tools	(3,063,164)	(412,311)	359,295	(3,116,180)
Automotive equipment	(5,348,058)	(692,295)	982,478	(5,057,875)
Infrastructure	<u>(77,716,402)</u>	<u>(4,431,315)</u>	<u>-</u>	<u>(82,147,717)</u>
Total accumulated depreciation	<u>(115,937,891)</u>	<u>(8,435,461)</u>	<u>3,219,162</u>	<u>(121,154,190)</u>
Total capital assets, being depreciated, net	<u>184,394,386</u>	<u>10,170,090</u>	<u>(189,913)</u>	<u>194,374,563</u>
Governmental Activities				
Capital Assets, net	<u>\$ 279,232,956</u>	<u>\$ 17,968,186</u>	<u>\$ (1,215,749)</u>	<u>\$ 295,985,393</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Municipal Transit Enterprise Fund				
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	908,664	(445,200)	5,633,268
Total capital assets, being depreciated	7,206,805	908,664	(504,345)	7,611,124
Less accumulated depreciation for:				
Buildings and improvements	(627,924)	(62,869)	-	(690,793)
Office equipment and machinery	(50,931)	(7,854)	58,785	-
Furniture and fixtures	(1,500)	-	1,500	-
Equipment, machinery, and tools	(27,963)	-	-	(27,963)
Automotive equipment	(3,335,451)	(210,120)	445,202	(3,100,369)
Total accumulated depreciation	(4,043,769)	(280,843)	505,487	(3,819,125)
Total capital assets, being depreciated, net	3,163,036	627,821	1,142	3,791,999
Municipal Transit Enterprise Fund Capital Assets, net	\$ 3,359,142	\$ 627,821	\$ 1,142	\$ 3,988,105

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Sewer Service Enterprise Fund				
Capital assets, not depreciated:				
Construction in progress	\$ 380,743	\$ 154,796	\$ (124,848)	\$ 410,691
Total capital assets, not depreciated	<u>380,743</u>	<u>154,796</u>	<u>(124,848)</u>	<u>410,691</u>
Capital assets, being depreciated:				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	503,141	-	-	503,141
Furniture and fixtures	53,015	-	-	53,015
Equipment, machinery, and tools	517,603	-	(23,202)	494,401
Automotive equipment	1,515,511	-	-	1,515,511
Sewer plant and lines	51,519,900	1,987,922	(32,386)	53,475,436
Capacity rights	29,678,016	-	-	29,678,016
Total capital assets, being depreciated	<u>83,815,228</u>	<u>1,987,922</u>	<u>(55,588)</u>	<u>85,747,562</u>
Less accumulated depreciation for:				
Buildings and improvements	(27,518)	(524)	-	(28,042)
Office equipment and machinery	(449,839)	(13,160)	-	(462,999)
Furniture and fixtures	(8,671)	(2,721)	-	(11,392)
Equipment, machinery, and tools	(219,907)	(34,649)	5,068	(249,488)
Automotive equipment	(735,057)	(19,392)	-	(754,449)
Sewer plant and lines	(20,320,345)	(989,341)	32,386	(21,277,300)
Capacity rights	(22,911,911)	(675,664)	-	(23,587,575)
Total accumulated depreciation	<u>(44,673,248)</u>	<u>(1,735,451)</u>	<u>37,454</u>	<u>(46,371,245)</u>
Total capital assets, being depreciated, net	<u>39,141,980</u>	<u>252,471</u>	<u>(18,134)</u>	<u>39,376,317</u>
Sewer Service Enterprise Fund				
Capital Assets, net	<u>\$ 39,522,723</u>	<u>\$ 407,267</u>	<u>\$ (142,982)</u>	<u>\$ 39,787,008</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Total Business-type Activities				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	380,743	154,796	(124,848)	410,691
Total capital assets, not depreciated	576,849	154,796	(124,848)	606,797
Capital assets, being depreciated:				
Buildings and improvements	1,976,435	-	-	1,976,435
Office equipment and machinery	562,286	-	(59,145)	503,141
Furniture and fixtures	54,515	-	-	54,515
Equipment, machinery, and tools	545,566	-	(23,202)	522,364
Automotive equipment	6,685,315	908,664	(445,200)	7,148,779
Sewer plant and lines	51,519,900	1,987,922	(32,386)	53,475,436
Capacity rights	29,678,016	-	-	29,678,016
Total capital assets, being depreciated	91,022,033	2,896,586	(559,933)	93,358,686
Less accumulated depreciation for:				
Buildings and improvements	(655,442)	(63,393)	-	(718,835)
Office equipment and machinery	(500,770)	(21,014)	58,785	(462,999)
Furniture and fixtures	(10,171)	(2,721)	1,500	(11,392)
Equipment, machinery, and tools	(247,870)	(34,649)	5,068	(277,451)
Automotive equipment	(4,070,508)	(229,512)	445,202	(3,854,818)
Sewer plant and lines	(20,320,345)	(989,341)	32,386	(21,277,300)
Capacity rights	(22,911,911)	(675,664)	-	(23,587,575)
Total accumulated depreciation	(48,717,017)	(2,016,294)	542,941	(50,190,370)
Total capital assets, being depreciated, net	42,305,016	880,292	(16,992)	43,168,316
Business-type Activities				
Capital Assets, net	\$ 42,881,865	\$ 1,035,088	\$ (141,840)	\$ 43,775,113

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

General government	\$	292,540
Community development		48,541
Public safety		876,161
Public works		5,864,320
Recreation and social services		664,174
Internal service funds		689,725
Total	\$	<u>8,435,461</u>

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

Municipal transit	\$	280,843
Sewer service		1,735,451
Total	\$	<u>2,016,294</u>

NOTE 5 - CONSTRUCTION COMMITMENTS

As of June 30, 2018, contract commitments for major capital projects included the following:

Description	Project Contract	Expenditures to Date	Unexpended Balance
South Coast Highway Sidewalk Design	\$ 1,960,000	\$ 828,848	\$ 1,131,152
Burn Dump Restoration	4,759,908	4,684,969	74,939
479 Ocean Avenue Renovation	837,100	820,552	16,548
Temple Hills Pedestrian Improvements	718,100	187,565	530,535
Stairs Replacement - Thalia and Beach	1,630,628	1,307,487	323,141
South Main Beach Restroom Design	700,000	119,872	580,128
Riddle Field Park Renovation	672,400	9,303	663,097
Pearl Street Beach Access	808,400	25,538	782,862
Anita Beach Stairs Replacement	700,000	67,260	632,740
Recreation Building Renovation	1,040,112	881,206	158,906
Laguna Canyon Channel Rehabilitation	2,136,042	630,441	1,505,601
Creek Erosion Protection	1,249,000	330,093	918,907
Parks Rehabilitation-Moulton, Alta, Lang	3,536,900	1,785,214	1,751,686
DeWitt Property Habitat Restoration	560,000	144,979	415,021
Village Entrance Project	16,021,772	8,346,406	7,675,366
Streets Slurry Seal	2,275,530	1,142,869	1,132,661
Coast Highway Intersection Improvements	740,000	73,846	666,154
LCR Master Plan Utility Undergrounding	3,040,100	652,152	2,387,948
	<u>\$ 43,385,992</u>	<u>\$ 22,038,599</u>	<u>\$ 21,347,393</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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 12 member cities in Southern California, which was established to pool resources, share risks, purchase excess insurance, and share costs for professional risk management and claims administration. The coverage for general and auto liability extends to \$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 \$6,722,164 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2018. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Beginning of year liability	\$ 6,824,969	\$ 6,343,601
Current year claims as changes in estimates	2,206,360	4,084,239
Claims payments	<u>(2,309,165)</u>	<u>(3,602,871)</u>
Insurance claims payable	<u>\$ 6,722,164</u>	<u>\$ 6,824,969</u>

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, 2018

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, 2018, special assessment debt outstanding was:

<u>District</u>	Principal Outstanding June 30, 2018
AD 09-1	\$ 4,945,000
RAD 12-1	895,000
AD 13-1	566,903
AD 13-6	410,000
RAD 14-3	1,223,201
AD 15-2	166,000
Total	<u>\$ 8,206,104</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 makes no contributions to the plan and 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, 2018, 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, 2018. The minimum future rental payments under this lease are as follows:

Year Ending June 30,	
<u>2019</u>	<u>\$ 26,400</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 3,632,194	\$ 1,816,097	\$ (1,468,055)	\$ 3,980,236	\$ 796,047	\$ 3,184,189
Insurance claims payable	6,824,969	2,206,360	(2,309,165)	6,722,164	2,016,650	4,705,514
Total Governmental Activities	<u>\$ 10,457,163</u>	<u>\$ 4,022,457</u>	<u>\$ (3,777,220)</u>	<u>\$ 10,702,400</u>	<u>\$ 2,812,697</u>	<u>\$ 7,889,703</u>
Business-type Activities:						
Municipal Transit Fund:						
Compensated absences	11,409	22,818	(14,743)	19,484	3,897	15,587
Total Municipal Transit Fund	<u>11,409</u>	<u>22,818</u>	<u>(14,743)</u>	<u>19,484</u>	<u>3,897</u>	<u>15,587</u>
Sewer Service Fund:						
Compensated absences	51,326	25,663	(17,275)	59,714	11,943	47,771
I-Bank installment agreement	3,130,810	-	(411,943)	2,718,867	423,189	2,295,678
I-Bank installment agreement	-	4,000,000	-	4,000,000	-	4,000,000
Total Sewer Service Fund	<u>3,182,136</u>	<u>4,025,663</u>	<u>(429,218)</u>	<u>6,778,581</u>	<u>435,132</u>	<u>6,343,449</u>
Total Business-type Activities	<u>\$ 3,193,545</u>	<u>\$ 4,048,481</u>	<u>\$ (443,961)</u>	<u>\$ 6,798,065</u>	<u>\$ 439,029</u>	<u>\$ 6,359,036</u>

For long-term liabilities, such as insurance claims payable and compensated absences, the general fund, municipal transit enterprise fund, sewer service enterprise fund, and 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, 2018, 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, 2018, the outstanding principal amount was \$2,718,867. Total revenue available for debt service was \$8,050,631 and total debt service, including interest, was \$491,791.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	471,328	19,652	490,980
2024	484,195	6,609	490,804
	<u>\$ 2,718,867</u>	<u>\$ 228,503</u>	<u>\$ 2,947,370</u>

I-Bank Installment Sale Agreement

The City entered into a twenty-year loan on June 1, 2018 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The maximum loan amount is \$4,000,000 and will be utilized for the City's Sewer System Collection and Treatment Facility Rehabilitation and Replacements Project. The loan is secured by revenues generated by the Sewer Service Fund and bears interest at a rate of 3.40% per annum, including amounts that have not yet been disbursed. Additionally, there is an annual fee due on August 1 of each year equal to 0.30% of the outstanding principal. Repayment of the loan is payable solely from Sewer Service user charges. The revenues are pledged for the total debt service until the year 2038. As of June 30, 2018, none of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$4,000,000 is recorded in the Sewer Service Enterprise Fund. Interest is due semiannually on February 1 and August 1 and principal is due annually on August 1, which will commence on August 1, 2019.

The City is not permitted prepay all or a portion of the outstanding principal until June 1, 2028, which is ten years after the effective date. After the ten-year period, the prepayment amount is 102%, 101%, and 100% for the tenth year, eleventh year, and remaining years, respectively.

As of June 30, 2018, the outstanding principal amount was \$4,000,000. Total revenue available for debt service was \$8,050,631 and total debt service, including interest, was \$0.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2019	\$ -	\$ 88,778	\$ 88,778
2020	153,237	133,395	286,632
2021	158,447	128,096	286,543
2022	163,834	122,618	286,452
2023	169,405	116,953	286,358
2024 - 2028	937,437	492,811	1,430,248
2029 - 2033	1,108,013	319,336	1,427,349
2034 - 2038	1,309,627	114,294	1,423,921
	<u>\$ 4,000,000</u>	<u>\$ 1,516,281</u>	<u>\$ 5,516,281</u>

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN

Plan Description

The City administers a single-employer defined benefit plan which provides medical and dental insurance benefits to eligible retirees and their dependents in accordance with various labor agreements. The City does not pay any of the cost of retiree 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. The medical plans consist of two Aetna options (HMO and PPO) and the dental benefits are provided through DeltaCare HMO and a self-insured Delta Dental PPO. A separate report is not issued for the plan.

Employees who have completed at least three years of service with the City and have coverage immediately prior to retirement are eligible to retire and participate in the City’s healthcare plans by paying premiums identical to those charged for the City’s active employees. For employees hired on or after July 1, 2013 (January 1, 2014 for Police), the three year service requirement has been increased to ten years. Spouses and eligible dependent children of retirees may also be covered at the retiree’s expense. All of the City’s Memoranda of Understanding (MOU) specify the ability to elect self-paid retiree medical coverage, and this benefit has been extended to self-paid dental coverage as well.

While the City does not directly contribute toward the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an “implicit subsidy” under GASB 75. The inclusion of the retirees increases the City’s overall health insurance rates.

The benefits and contribution requirements of the City and plan members are established and may be amended by City Council. The City has not established an irrevocable trust for the purpose of holding assets accumulated for plan benefits and funds the plan on a pay-as-you-go basis (i.e. as medical insurance premiums become due). For fiscal year 2017-2018, age-adjusted premiums contributed by the City totaled \$158,500.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Employees Covered

As of the June 30, 2018 measurement date, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	34
Active employees	<u>256</u>
Total	<u><u>290</u></u>

Total OPEB Liability

The District's total OPEB liability of \$2,059,862 was measured as of June 30, 2018, was determined by an actuarial valuation as of July 1, 2016, and is included in the government-wide financial statements as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Total OPEB liabilities	<u>\$ 1,942,450</u>	<u>\$ 117,412</u>	<u>\$ 2,059,862</u>

The general fund, municipal transit enterprise fund, and sewer service enterprise fund have been used in prior years to liquidate the total OPEB liability.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.62%
Inflation	4.00%
Projected Salary Increase	3.00%
Investment Rate of Return	(1)
Healthcare Cost Trend Rates	6% decreasing to 5% in 2017 and later years
Mortality	(2)

- (1) This assumption is not applicable since the City has not established an irrevocable trust for pre-funding of the OPEB.
- (2) Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The discount rate utilized is based on whether the plan assets are projected to be sufficient to make future payments. Since there are no plan assets held in trust, the discount rate would be based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. "Highquality" is defined as being rated AA or higher (or an equivalent rating). The municipal bond rate utilized was 3.62% and was determined using the Fidelity AA Municipal Bond 20-Year High Grade rate index as of June 30, 2018.

Changes in Total OPEB Liability

The change in the total OPEB liability is as follows:

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at June 30, 2017 (Measurement Date)	<u>\$ 2,073,250</u>
Changes in the Year:	
Service cost	72,904
Interest on the total OPEB liability	72,208
Benefit payments	<u>(158,500)</u>
Net Changes	<u>(13,388)</u>
Balance at June 30, 2018 (Measurement Date)	<u>\$ 2,059,862</u>

Change of Assumptions

There were no changes of assumptions.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, calculated using the discount rate for the Plan, as well as what the District's total OPEB 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 (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$ 2,192,710	\$ 2,059,862	\$ 1,935,372

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower or 1-percentage point higher:

	1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Total OPEB Liability	\$ 1,857,491	\$ 2,059,862	\$ 2,294,849

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$145,112. At June 30, 2018, the City had no deferred outflows of resources or deferred inflows of resources related to OPEB.

Payable to the OPEB Plan

At June 30, 2018, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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	\$ 59,394	\$ -	\$ -	\$ 59,394
Prepays	1,430,764	-	598,904	2,029,668
Total Nonspendable	<u>1,490,158</u>	<u>-</u>	<u>598,904</u>	<u>2,089,062</u>
Restricted:				
Parking in-lieu	920	-	-	920
Park in-lieu	528,021	-	-	528,021
Art in-lieu	361,880	-	-	361,880
Drainage	70,872	-	-	70,872
Housing in-lieu	647,168	-	-	647,168
Transportation infrastructure	72,905	-	-	72,905
Street lighting district	-	-	7,999,817	7,999,817
Gas tax	-	-	1,657,622	1,657,622
Public safety	-	-	1,238	1,238
Assessment district improvements	-	957,925	-	957,925
Total Restricted	<u>1,681,766</u>	<u>957,925</u>	<u>9,658,677</u>	<u>12,298,368</u>
Committed:				
Solid waste	189,925	-	-	189,925
Measure LL	695,697	-	-	695,697
Repair of public facilities and natural disaster	-	-	6,320,696	6,320,696
Total Committed	<u>885,622</u>	<u>-</u>	<u>6,320,696</u>	<u>7,206,318</u>
Assigned:				
Open space	1,336,465	-	-	1,336,465
Parking authority	15,825,792	-	-	15,825,792
Capital projects	21,146,303	-	-	21,146,303
Total Assigned	<u>38,308,560</u>	<u>-</u>	<u>-</u>	<u>38,308,560</u>
Unassigned ⁺	<u>21,282,064</u>	<u>-</u>	<u>-</u>	<u>21,282,064</u>
Total Fund Balance	<u>\$ 63,648,170</u>	<u>\$ 957,925</u>	<u>\$ 16,578,277</u>	<u>\$ 81,184,372</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,

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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, 2017, (the most recent information available), SOCWA had total assets and deferred outflows of resources of \$148,339,461, total liabilities and deferred inflows or resources of \$17,477,272, and total equity of \$130,862,189. 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 \$2,453,014 and \$1,263,124 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, 2018 is presented below:

	Safety Plan	Miscellaneous Plan	Total
	<u> </u>	<u> </u>	<u> </u>
Deferred Outflows - Pensions	\$ 12,608,529	\$ 8,712,978	\$ 21,321,507
Net Pension Liability	(37,303,403)	(28,615,765)	(65,919,168)
Deferred Inflows - Pensions	(1,265,758)	(358,108)	(1,623,866)
Pension Expense	5,088,693	5,027,490	10,116,183

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, 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 compensatio	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.500%
Required employer contribution rates:			
Normal cost rate	19.723%	17.875%	11.990%
Payment of unfunded liability	\$ 812,259	\$ -	\$ 158

	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 compensatio	3.0%	3.0%	2.7%
Required employee contribution rates	9%	9%	11.500%
Required employer contribution rates:			
Normal cost rate	19.723%	17.875%	11.990%
Payment of unfunded liability	\$ 668,874	\$ -	\$ 1,060

	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 compensatio	3.0%	N/A	2.7%
Required employee contribution rates	9%	N/A	11.500%
Required employer contribution rates:			
Normal cost rate	17.875%	N/A	11.990%
Payment of unfunded liability	\$ 58,949	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, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or After January 1, 2013</u>
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		
Normal cost rate	9.081%	6.25%
Payment of unfunded liability	\$ 1,475,677	\$ -

Employees Covered

As of the June 30, 2017 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	220
Inactive employees entitled to but not yet receiving benefits	141
Active employees	167
Total	<u>528</u>

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, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Contributions (Continued)

Contributions to the pension plans totaled \$4,639,721 for the Safety Plan and \$3,767,304 for the Miscellaneous Plan, including contributions by Safety Plans as follows, for the year ended June 30, 2018:

	<u>Safety</u>			
	<u>Police</u>	<u>Fire</u>	<u>Lifeguard</u>	<u>Total</u>
Contributions - employer	\$ 2,387,733	\$ 2,030,590	\$ 221,398	\$ 4,639,721

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, 2018, the City reported a net pension liability for its proportionate share of the collective net pension liability of the Safety Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety Plan	<u>\$ 37,303,403</u>

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, 2017, 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, 2016 rolled forward to June 30, 2017 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.

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2016 and 2017 was as follows:

	<u>Safety</u>
Proportion - June 30, 2016	<u>0.64676%</u>
Proportion - June 30, 2017	<u>0.62430%</u>
Change - Increase (Decrease)	<u>-0.02246%</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Safety		
	Police	Fire	Lifeguard
Valuation Date	June 30, 2016	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
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, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

	Miscellaneous	
Valuation Date		June 30, 2016
Measurement Date		June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate		7.15%
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, 2017 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

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. 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 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% 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.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2018

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 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.

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, 2014.

Asset Class	Target Allocation	Real Rate of Return 1 - 10 Years (a)	Real Rate of Return 11+ Years (b)
Global Equity	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Qssets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

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

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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

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

The total Net Pension Liability for the City's Miscellaneous Plan as of June 30, 2018 was \$28,615,765. 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)
Balance at June 30, 2017	\$ 101,332,569	\$ 75,194,600	\$ 26,137,969
Changes in the Year:			
Service cost	2,418,551	-	2,418,551
Interest on the total pension liability	7,557,389	-	7,557,389
Differences between actual and expected experience	(323,188)	-	(323,188)
Changes in assumptions	6,050,977	-	6,050,977
Contribution - employer	-	3,865,941	(3,865,941)
Contribution - employee	-	1,011,086	(1,011,086)
Net investment income	-	8,459,926	(8,459,926)
Administrative expenses	-	(111,020)	111,020
Benefit payments, including refunds of employee contributions	(5,143,766)	(5,143,766)	-
Net Changes	<u>10,559,963</u>	<u>8,082,167</u>	<u>2,477,796</u>
Balance at June 30, 2018	<u>\$ 111,892,532</u>	<u>\$ 83,276,767</u>	<u>\$ 28,615,765</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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, 2018, the City recognized pension expense of \$5,088,693 for the Safety Plan. At June 30, 2018, 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	\$ 4,639,721	\$ -
Differences between actual contributions and proportionate share of contributions and changes in proportions	32,142	(681,754)
Net differences between projected and actual earnings on plan investments	1,344,610	-
Change in assumptions	6,166,831	(473,136)
Differences between expected and actual experience	425,225	(110,868)
Total	<u>\$ 12,608,529</u>	<u>\$ (1,265,758)</u>

The amount of \$4,639,721, 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, 2019. 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>
2019	\$ 1,454,610
2020	3,751,342
2021	2,283,878
2022	(786,780)
2023	-
Thereafter	-

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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, 2018, the City recognized pension expense of \$5,027,490 for the Miscellaneous Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,767,304	\$ -
Change in assumptions	3,964,433	-
Differences between expected and actual experience	-	(358,108)
Net differences between projected and actual earnings on plan investments	981,241	-
Total	<u>\$ 8,712,978</u>	<u>\$ (358,108)</u>

The amount of \$3,767,304, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:

Year Ending June 30,	Amount
2019	\$ 1,784,555
2020	2,991,029
2021	435,107
2022	(623,125)
2023	-
Thereafter	-

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

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 (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Safety Plan's proportionate share of collective net pension liability	\$ 57,676,057	\$ 37,303,403	\$ 20,649,774
Miscellaneous Plan's net pension liability	\$ 43,206,685	\$ 28,615,765	\$ 16,514,286

Pension Plan Fiduciary Net Position

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

Subsequent Events

There were no subsequent events that would materially affect the results of this disclosure.

Payable to the Pension Plan

At June 30, 2018, the City had no outstanding amount of contributions to the Safety or Miscellaneous pension plans required for the year ended June 30, 2018.

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 payments 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 \$17,616,118 with a cost of \$19,399,882 and accumulated depreciation of \$1,783,764. 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, 2018

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 and 2017-2018 totaling \$4,130,872 and \$14,235,142, respectively. 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 \$259,020.

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	\$	3,703,612
Less: Depreciation		<u>(280,843)</u>
Net Operating Costs		3,422,769
50% Limitation		1,711,385

TDA Financial Need Limitation:

Total Operating Costs		3,703,612
Depreciation	\$	(280,843)
OCTA Operating Assistance		(154,443)
Passenger Revenues		(169,842)
Taxi Voucher Program		-
Project "V" Grant		(1,053,957)
Park and Ride		<u>(118,497)</u>
Financial Need		<u>1,926,030</u>
Lesser of "Financial Need" or "50% Limitation"	\$	<u>1,711,385</u>
TDA Allocation		1,114,905
Under (Over) Allocation		596,480

For the year ended June 30, 2018, the City recognized \$1,114,905 of revenues pursuant to the TDA requirements, which was less than the limit of \$1,711,385. This amount, along with \$1,454,770 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, 2018

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 \$567,348, for the year ended June 30, 2018. 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. During the fiscal year ended June 30, 2015, the City made an initial payment in the amount of \$1,500,000.

The Agreement contains a schedule of payments; those payments will be made as the homes are built by HFET. The original Heritage Fields Project, approved in 2011, included approvals from the City of Irvine to build 4,894 dwelling units. Construction of these previously approved units has recently commenced. The Agreement's payment schedule refers to dwelling units built after the previously approved 4,894 units have been built.

Five Lagunas Project

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

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

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

<u>Number of Units</u>	<u>Payment</u>
620 residential dwelling units	\$ 333,333
938 residential dwelling units	333,333

In June 2018, the City renegotiated a faithful performance bond in the amount of \$666,667. The amount of the Security Bond shall be reduced automatically with each payment of an installment of the Merlone Geier Funding Contribution.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2018

NOTE 18 – CONTINGENCIES (CONTINUED)

Moulton Niguel Water District

The Moulton Niguel Water District (MNWD) is in default to the South Orange County Wastewater Authority (SOCWA) for at least \$2 million because of MNWD's decision to repudiate its long-standing contractual obligation to pay for capital maintenance and repair costs at SOCWA's Coastal Treatment Plant. The City of Laguna Beach, South Coast Water District, Emerald Bay Service District and MNWD are members of SOCWA and members of the SOCWA project committee relating to the Coastal Treatment Plant. SOCWA, the City of Laguna Beach, South Coast Water District, and Emerald Bay Service District have sued MNWD for breach of contract, declaratory relief, and injunctive relief in order to recover the amounts withheld by MNWD, and to prevent MNWD from withholding funds for repair and maintenance of the Coastal Treatment Plan for the balance of the pertinent agreement. The SOCWA Action is currently pending before the Superior Court of California, County of Riverside, Case No. RIC1721240, and started trial on October 29, 2018. Additional information regarding SOCWA and the City's sewage treatment facilities can be found in Note 13 of the Notes to the Basic Financial Statements.

NOTE 19 - PRIOR PERIOD ADJUSTMENTS

Beginning balances of net position in the Government-Wide Financial Statements as of July 1, 2017, have been adjusted as follows:

	Governmental Activities <u>Total</u>	Business- Type Activities <u>Total</u>	<u>Total</u>
Net position at July 1, 2017, as originally reported	\$ 326,885,995	\$ 41,063,575	\$ 367,949,570
Implementation of GASB Statement 75 to record the net OPEB liability as of the beginning of the year	(1,610,684)	(118,176)	(1,728,860)
Net position at July 1, 2017, as restated	<u>325,275,311</u>	<u>40,945,399</u>	<u>366,220,710</u>

Beginning balances of net position in the Proprietary Funds Financial Statements as of July 1, 2017, have been adjusted as follows:

	Municipal Transit Enterprise Fund	Sewer Service Enterprise Fund	Business- Type Activities Total	Internal Service Funds
Net position at July 1, 2017, as originally reported	\$ 4,621,951	\$ 36,441,624	\$ 41,063,575	\$ 13,253,896
Implementation of GASB Statement 75 to record the net OPEB liability as of the beginning of the year	(20,733)	(97,443)	(118,176)	344,391
Net position at July 1, 2017, as restated	<u>4,601,218</u>	<u>36,344,181</u>	<u>40,945,399</u>	<u>13,598,287</u>

NOTE 20 - SUBSEQUENT EVENTS

Events occurring after June 30, 2018, have been evaluated for possible adjustments to the financial statements or disclosure as of January 30, 2019, which is the date these financial statements were available to be issued.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

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

Fiscal year ended	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.37615%	0.38711%	0.38969%	0.36782%
Plan's proportionate share of the net pension liability	\$ 37,303,403	\$ 33,497,317	\$ 26,748,099	\$ 22,887,604
Plan's covered payroll	\$ 10,671,505	\$ 9,912,852	\$ 9,480,126	\$ 9,282,035
Plan's proportionate share of the net pension liability as a percentage of covered payroll	349.56%	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	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 3,737,500	\$ 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.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

* - 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 3,597,721	\$ 3,244,259	\$ 1,875,636	\$ 2,538,981
Contributions in relation to the actuarially determined contributions	<u>(4,639,721)</u>	<u>(4,445,511)</u>	<u>(4,132,300)</u>	<u>(2,538,981)</u>
Contribution deficiency (excess)	<u>\$ (1,042,000)</u>	<u>\$ (1,201,252)</u>	<u>\$ (2,256,664)</u>	<u>\$ -</u>
Covered payroll	\$ 11,419,674	\$ 10,671,505	\$ 9,912,852	\$ 9,480,126
Contributions as a percentage of covered payroll	40.63%	41.66%	41.69%	26.78%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------

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 four years are shown.

** - The valuation for June 30, 2012, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, 2017, and 2018 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, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:				
Service cost	\$ 2,418,551	\$ 2,020,384	\$ 1,936,830	\$ 2,113,319
Interest on total pension liability	7,557,389	7,292,385	6,979,652	6,610,117
Differences between actual and expected experience	(323,188)	(439,090)	61,932	-
Changes in assumptions	6,050,977	-	(1,636,454)	-
Benefit payments, including refunds of employee contributions	<u>(5,143,766)</u>	<u>(4,590,588)</u>	<u>(4,271,862)</u>	<u>(3,644,602)</u>
Net Change in Total Pension Liability	10,559,963	4,283,091	3,070,098	5,078,834
Total Pension Liability - Beginning of Year	<u>101,332,569</u>	<u>97,049,478</u>	<u>93,979,380</u>	<u>88,900,546</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 111,892,532</u></u>	<u><u>\$ 101,332,569</u></u>	<u><u>\$ 97,049,478</u></u>	<u><u>\$ 93,979,380</u></u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 3,865,941	\$ 3,733,571	\$ 3,457,700	\$ 2,011,915
Contributions - employee	1,011,086	1,051,923	943,694	1,240,843
Net investment income	8,459,926	405,106	1,666,511	11,013,027
Administrative expenses	(111,020)	(45,489)	(84,037)	(83,334)
Benefit payments	<u>(5,143,766)</u>	<u>(4,590,588)</u>	<u>(4,271,862)</u>	<u>(3,644,602)</u>
Net Change in Plan Fiduciary Net Position	8,082,167	554,523	1,712,006	10,537,849
Plan Fiduciary Net Position - Beginning of Year	<u>75,194,600</u>	<u>74,640,077</u>	<u>72,928,071</u>	<u>62,390,222</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 83,276,767</u></u>	<u><u>\$ 75,194,600</u></u>	<u><u>\$ 74,640,077</u></u>	<u><u>\$ 72,928,071</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 28,615,765</u></u>	<u><u>\$ 26,137,969</u></u>	<u><u>\$ 22,409,401</u></u>	<u><u>\$ 21,051,309</u></u>
Plan fiduciary net position as a percentage of the total pension liability	74.43%	74.21%	76.91%	77.60%
Covered payroll	\$ 13,297,509	\$ 12,379,800	\$ 11,499,996	\$ 12,031,399
Net pension liability as percentage of covered payroll	215.20%	211.13%	194.86%	174.97%

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.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 2,767,304	\$ 2,665,941	\$ 2,337,304	\$ 2,057,700
Contributions in relation to the actuarially determined contributions	<u>(3,767,304)</u>	<u>(3,865,941)</u>	<u>(3,737,304)</u>	<u>(3,457,700)</u>
Contribution deficiency (excess)	<u>\$ (1,000,000)</u>	<u>\$ (1,200,000)</u>	<u>\$ (1,400,000)</u>	<u>\$ (1,400,000)</u>
Covered payroll	\$ 12,558,017	\$ 13,297,509	\$ 12,379,800	\$ 11,499,996
Contributions as a percentage of covered payroll	30.00%	29.07%	30.19%	30.07%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------

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 four years are shown.

** - The valuation for June 30, 2012, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, 2017, and 2018 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, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

CITY OF LAGUNA BEACH
Other Post-Employment Benefit Plan
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*

Fiscal year ended	<u>2018</u>
Measurement date	<u>6/30/2018</u>
Total OPEB Liability:	
Service cost	\$ 72,904
Interest	72,208
Benefit payments, including refunds of employee contributions	<u>(158,500)</u>
Net Change in Total OPEB Liability	(13,388)
Total OPEB Liability - Beginning of Year	<u>2,073,250</u>
Total OPEB Liability - End of Year (a)	<u><u>\$ 2,059,862</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%
 Covered payroll	 \$ 29,131,464
 Total OPEB liability as percentage of covered payroll	 7.07%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

The fiscal year ended June 30, 2018 is the first year of implementation; therefore, there are no previous GASB 75 actuarial reports for comparison.

* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 34,602,000	\$ 35,065,000	\$ 36,343,216	\$ 1,278,216
Sales and use taxes	5,961,000	5,961,000	5,691,270	(269,730)
Transient lodging taxes	6,900,000	7,030,000	7,633,887	603,887
Franchise taxes	1,240,000	1,240,000	1,212,199	(27,801)
Business license taxes	900,000	900,000	987,173	87,173
Total Taxes	<u>49,603,000</u>	<u>50,196,000</u>	<u>51,867,745</u>	<u>1,671,745</u>
Licenses and permits:				
Construction permits	1,417,000	1,417,000	1,529,393	112,393
Other	29,200	29,200	33,993	4,793
Total Licenses and Permits	<u>1,446,200</u>	<u>1,446,200</u>	<u>1,563,386</u>	<u>117,186</u>
Fines and penalties	<u>38,000</u>	<u>38,000</u>	<u>141,905</u>	<u>103,905</u>
Investment income, net	<u>1,000,000</u>	<u>1,000,000</u>	<u>113,522</u>	<u>(886,478)</u>
Rental	<u>431,000</u>	<u>431,000</u>	<u>457,540</u>	<u>26,540</u>
Intergovernmental	<u>813,400</u>	<u>1,770,733</u>	<u>1,862,974</u>	<u>92,241</u>
Charges for services:				
Planning and zoning fees	1,900,000	1,900,000	1,761,835	(138,165)
Building department fees	356,000	356,000	340,661	(15,339)
Refuse service charges	2,142,000	2,142,000	2,121,876	(20,124)
Medical fees	103,000	103,000	51,221	(51,779)
Parks and recreation fees	3,547,000	3,547,000	3,833,698	286,698
Other	446,100	446,100	599,319	153,219
Total Charges for Services	<u>8,494,100</u>	<u>8,494,100</u>	<u>8,708,610</u>	<u>214,510</u>
Parking meters, lots, and permits	<u>1,500</u>	<u>1,500</u>	<u>1,219</u>	<u>(281)</u>
Other:				
Reimbursed expenditures	285,000	285,000	430,872	145,872
Miscellaneous	58,700	138,264	78,096	(60,168)
Total Other	<u>343,700</u>	<u>423,264</u>	<u>508,968</u>	<u>85,704</u>
Total Revenues	<u>62,170,900</u>	<u>63,800,797</u>	<u>65,225,869</u>	<u>1,425,072</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
General government:				
City Council	\$ 82,600	\$ 92,600	\$ 71,597	\$ 21,003
City Manager	894,600	932,600	892,496	40,104
City Clerk	404,900	407,000	391,615	15,385
City Treasurer	176,900	174,400	167,629	6,771
City Attorney	750,000	1,386,900	957,473	429,427
Administrative services	3,654,200	6,892,000	3,314,343	3,577,657
Total General Government	<u>5,963,200</u>	<u>9,885,500</u>	<u>5,795,153</u>	<u>4,090,347</u>
Community development	<u>5,683,900</u>	<u>6,089,600</u>	<u>5,598,168</u>	<u>491,432</u>
Public safety:				
Police protection	16,549,100	19,042,536	17,646,941	1,395,595
Fire protection	11,631,500	13,986,428	12,304,911	1,681,517
Marine safety	2,939,400	2,959,304	2,794,186	165,118
Total Public Safety	<u>31,120,000</u>	<u>35,988,268</u>	<u>32,746,038</u>	<u>3,242,230</u>
Public works	<u>11,906,400</u>	<u>13,151,975</u>	<u>11,622,459</u>	<u>1,529,516</u>
Recreation and social services	<u>5,189,300</u>	<u>6,395,246</u>	<u>5,300,085</u>	<u>1,095,161</u>
Capital outlay	<u>815,000</u>	<u>1,955,100</u>	<u>1,139,385</u>	<u>815,715</u>
Total Expenditures	<u>60,677,800</u>	<u>73,465,689</u>	<u>62,201,288</u>	<u>11,264,401</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,493,100</u>	<u>(9,664,892)</u>	<u>3,024,581</u>	<u>12,689,473</u>
Other Financing Sources (Uses):				
Transfers in	-	615,000	615,000	-
Transfers out	-	(2,500,000)	(2,442,920)	57,080
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,885,000)</u>	<u>(1,827,920)</u>	<u>57,080</u>
Net Change in Fund Balance	1,493,100	(11,549,892)	1,196,661	12,746,553
Fund Balance, Beginning of Year	<u>20,334,722</u>	<u>20,334,722</u>	<u>20,334,722</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 21,827,822</u>	<u>\$ 8,784,830</u>	<u>\$ 21,531,383</u>	<u>\$ 12,746,553</u>

(Continued)

CITY OF LAGUNA BEACH
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018
(Continued)

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

	General Fund
Revenues and Other Financing Sources	
Revenues from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 65,225,869
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	2,460,912
Capital Improvement Fund	6,486,578
Parking Authority Fund	6,993,586
Parking In-Lieu Fund	16
Park In-Lieu Fund	9,284
Art In-Lieu Fund	145,166
Drainage Fund	1,247
Housing In-Lieu Fund	6,192
	\$ 81,328,850
Transfers In and Sale of Land and Equipment from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 615,000
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	300,000
Capital Improvement Fund	155,000
Elimination of Transfers In within General Fund in accordance with GASB 54 consolidation	(915,000)
	\$ 155,000
Expenditures and Other Financing Uses	
Expenditures and Other Financing Uses from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 64,644,208
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	1,186,956
Open Space Fund	1,429,289
Capital Improvement Fund	8,022,850
Parking Authority Fund	6,338,336
Art In-Lieu Fund	5,520
Transportation Infrastructure Fund	650,761
Elimination of Transfers Out within General Fund in accordance with GASB 54 consolidation	(915,000)
	\$ 81,362,920

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

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 except for the Asset Forfeiture Nonmajor Special Revenue Fund and the following General Fund sub-funds: Parking In-Lieu and Drainage. 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 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 expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Supplemental appropriations include carryover appropriations from the prior year. Supplemental budgetary appropriations of \$12,787,889 were made in the General Fund.

This page intentionally left blank

SUPPLEMENTARY SCHEDULES

This page intentionally left blank

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, 2018

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
ASSETS					
Cash and investments	\$ 25,472,699	\$ 126,696	\$ 1,356,080	\$ 20,458,358	\$ 16,312,860
Receivables:					
Taxes	3,860,869	608,792	-	1,246,750	-
Accounts	536,327	-	-	73,423	105,553
Interest	101,122	-	-	-	-
Intergovernmental	170,934	-	-	-	-
Notes	-	-	-	-	-
Prepays	-	1,430,764	-	-	-
Inventory	59,394	-	-	-	-
	<u>30,201,345</u>	<u>2,166,252</u>	<u>1,356,080</u>	<u>21,778,531</u>	<u>16,418,413</u>
Total Assets					
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,026,979	\$ 39,791	\$ 19,615	\$ 632,228	\$ 351,575
Deposits	11,070	-	-	-	-
Due to other governmental agencies	-	-	-	-	-
Unearned revenue	139,405	-	-	-	241,046
Advances from other funds	4,492,508	-	-	-	-
	<u>8,669,962</u>	<u>39,791</u>	<u>19,615</u>	<u>632,228</u>	<u>592,621</u>
Total Liabilities					
Fund Balances:					
Nonspendable	59,394	1,430,764	-	-	-
Restricted	-	-	-	-	-
Committed	189,925	695,697	-	-	-
Assigned	-	-	1,336,465	21,146,303	15,825,792
Unassigned	21,282,064	-	-	-	-
	<u>21,531,383</u>	<u>2,126,461</u>	<u>1,336,465</u>	<u>21,146,303</u>	<u>15,825,792</u>
Total Fund Balances					
Total Liabilities and Fund Balances	<u>\$ 30,201,345</u>	<u>\$ 2,166,252</u>	<u>\$ 1,356,080</u>	<u>\$ 21,778,531</u>	<u>\$ 16,418,413</u>

<u>Parking In-Lieu</u>	<u>Park In-Lieu</u>	<u>Art In-Lieu</u>	<u>Drainage</u>	<u>Housing In-Lieu</u>	<u>Transportation Infrastructure</u>	<u>Total</u>
\$ 920	\$ 528,021	\$ 361,880	\$ 70,872	\$ 355,601	\$ 72,905	\$ 65,116,892
-	-	-	-	-	-	5,716,411
-	-	-	-	-	-	715,303
-	-	-	-	-	-	101,122
-	-	-	-	-	-	170,934
-	-	-	-	348,000	-	348,000
-	-	-	-	-	-	1,430,764
-	-	-	-	-	-	59,394
<u>\$ 920</u>	<u>\$ 528,021</u>	<u>\$ 361,880</u>	<u>\$ 70,872</u>	<u>\$ 703,601</u>	<u>\$ 72,905</u>	<u>\$ 73,658,820</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,070,188
-	-	-	-	-	-	11,070
-	-	-	-	56,433	-	56,433
-	-	-	-	-	-	380,451
-	-	-	-	-	-	4,492,508
-	-	-	-	56,433	-	10,010,650
-	-	-	-	-	-	1,490,158
920	528,021	361,880	70,872	647,168	72,905	1,681,766
-	-	-	-	-	-	885,622
-	-	-	-	-	-	38,308,560
-	-	-	-	-	-	21,282,064
<u>920</u>	<u>528,021</u>	<u>361,880</u>	<u>70,872</u>	<u>647,168</u>	<u>72,905</u>	<u>63,648,170</u>
<u>\$ 920</u>	<u>\$ 528,021</u>	<u>\$ 361,880</u>	<u>\$ 70,872</u>	<u>\$ 703,601</u>	<u>\$ 72,905</u>	<u>\$ 73,658,820</u>

CITY OF LAGUNA BEACH
General Fund
Consolidating Schedule of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund
Year Ended June 30, 2018

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
Revenues:					
Taxes	\$ 51,867,745	\$ 2,449,206	\$ -	\$ 5,387,193	\$ -
Licenses and permits	1,563,386	-	-	-	-
Fines and penalties	141,905	-	-	914,466	-
Investment income, net	113,522	11,706	-	1,163	-
Rental	457,540	-	-	-	-
Intergovernmental	1,862,974	-	-	-	-
Charges for services	8,708,610	-	-	3,130	-
Parking meters, lots, and permits	1,219	-	-	-	6,993,586
Development tax	-	-	-	147,903	-
Contributions from property owners	-	-	-	32,723	-
Other	508,968	-	-	-	-
Total Revenues	65,225,869	2,460,912	-	6,486,578	6,993,586
Expenditures:					
Current:					
General government	5,795,153	-	-	-	-
Community development	5,598,168	-	-	-	-
Public safety	32,746,038	814,227	-	-	1,032,027
Public works	11,622,459	372,729	-	22,000	2,394,759
Recreation and social services	5,300,085	-	-	-	-
Capital outlay	1,139,385	-	1,429,289	7,592,850	885,450
Total Expenditures	62,201,288	1,186,956	1,429,289	7,614,850	4,312,236
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,024,581	1,273,956	(1,429,289)	(1,128,272)	2,681,350
Other Financing Sources (Uses):					
Transfers in	615,000	-	300,000	155,000	-
Transfers out	(2,442,920)	-	-	(408,000)	(2,026,100)
Total Other Financing Sources (Uses)	(1,827,920)	-	300,000	(253,000)	(2,026,100)
Net Change in Fund Balances	1,196,661	1,273,956	(1,129,289)	(1,381,272)	655,250
Fund Balances, Beginning of Year	20,334,722	852,505	2,465,754	22,527,575	15,170,542
Fund Balances, End of Year	\$ 21,531,383	\$ 2,126,461	\$ 1,336,465	\$ 21,146,303	\$ 15,825,792

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,704,144
-	-	-	-	-	-	-	1,563,386
-	-	-	-	-	-	-	1,056,371
16	9,284	4,194	1,247	6,192	-	-	147,324
-	-	-	-	-	-	-	457,540
-	-	-	-	-	-	-	1,862,974
-	-	-	-	-	-	-	8,711,740
-	-	-	-	-	-	-	6,994,805
-	-	30,972	-	-	-	-	178,875
-	-	-	-	-	-	-	32,723
-	-	110,000	-	-	-	-	618,968
<u>16</u>	<u>9,284</u>	<u>145,166</u>	<u>1,247</u>	<u>6,192</u>	<u>-</u>	<u>-</u>	<u>81,328,850</u>
-	-	-	-	-	-	-	5,795,153
-	-	-	-	-	-	-	5,598,168
-	-	-	-	-	-	-	34,592,292
-	-	-	-	-	-	-	14,411,947
-	-	5,520	-	-	-	-	5,305,605
-	-	-	-	-	10,761	-	11,057,735
-	-	5,520	-	-	10,761	-	76,760,900
<u>16</u>	<u>9,284</u>	<u>139,646</u>	<u>1,247</u>	<u>6,192</u>	<u>(10,761)</u>	<u>-</u>	<u>4,567,950</u>
-	-	-	-	-	-	(915,000)	155,000
-	-	-	-	-	(640,000)	915,000	(4,602,020)
-	-	-	-	-	(640,000)	-	(4,447,020)
16	9,284	139,646	1,247	6,192	(650,761)	-	120,930
904	518,737	222,234	69,625	640,976	723,666	-	63,527,240
<u>\$ 920</u>	<u>\$ 528,021</u>	<u>\$ 361,880</u>	<u>\$ 70,872</u>	<u>\$ 647,168</u>	<u>\$ 72,905</u>	<u>\$ -</u>	<u>\$ 63,648,170</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 2,188,000	\$ 2,449,206	\$ 261,206
Investment income, net	-	11,706	11,706
Total Revenues	<u>2,188,000</u>	<u>2,460,912</u>	<u>272,912</u>
Expenditures:			
Current:			
Public safety	915,400	814,227	101,173
Public works	1,925,200	372,729	1,552,471
Total Expenditures	<u>2,840,600</u>	<u>1,186,956</u>	<u>1,653,644</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(652,600)</u>	<u>1,273,956</u>	<u>1,926,556</u>
Net Change in Fund Balance	(652,600)	1,273,956	1,926,556
Fund Balance, Beginning of Year	<u>852,505</u>	<u>852,505</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 199,905</u>	<u>\$ 2,126,461</u>	<u>\$ 1,926,556</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Capital outlay	2,392,500	1,429,289	963,211
Total Expenditures	2,392,500	1,429,289	963,211
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,392,500)	(1,429,289)	963,211
Other Financing Sources:			
Transfers in	300,000	300,000	-
Total Other Financing Sources	300,000	300,000	-
Net Change in Fund Balance	(2,092,500)	(1,129,289)	963,211
Fund Balance, Beginning of Year	2,465,754	2,465,754	-
Fund Balance, End of Year	\$ 373,254	\$ 1,336,465	\$ 963,211

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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 5,265,000	\$ 5,387,193	\$ 122,193
Fines and penalties	1,033,000	914,466	(118,534)
Investment income, net	-	1,163	1,163
Intergovernmental	505,000	-	(505,000)
Charges for services	1,000	3,130	2,130
Development tax	150,000	147,903	(2,097)
Contributions from property owners	-	32,723	32,723
Other	40,000	-	(40,000)
Total Revenues	6,994,000	6,486,578	(507,422)
Expenditures:			
Current:			
Public works	42,700	22,000	20,700
Capital outlay	29,215,400	7,592,850	21,622,550
Total Expenditures	29,258,100	7,614,850	21,643,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,264,100)	(1,128,272)	21,135,828
Other Financing Sources (Uses):			
Transfers in	155,000	155,000	-
Transfers out	(408,000)	(408,000)	-
Total Other Financing Sources (Uses)	(253,000)	(253,000)	-
Net Change in Fund Balance	(22,517,100)	(1,381,272)	21,135,828
Fund Balance, Beginning of Year	22,527,575	22,527,575	-
Fund Balance, End of Year	\$ 10,475	\$ 21,146,303	\$ 21,135,828

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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Parking meters, lots, and permits	\$ 6,703,000	\$ 6,993,586	\$ 290,586
Total Revenues	<u>6,703,000</u>	<u>6,993,586</u>	<u>290,586</u>
Expenditures:			
Current:			
Public safety	1,130,100	1,032,027	98,073
Public works	2,771,078	2,394,759	376,319
Capital outlay	<u>9,006,300</u>	<u>885,450</u>	<u>8,120,850</u>
Total Expenditures	<u>12,907,478</u>	<u>4,312,236</u>	<u>8,595,242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,204,478)</u>	<u>2,681,350</u>	<u>8,885,828</u>
Other Financing Uses:			
Transfers out	<u>(2,101,000)</u>	<u>(2,026,100)</u>	<u>74,900</u>
Total Other Financing Uses	<u>(2,101,000)</u>	<u>(2,026,100)</u>	<u>74,900</u>
Net Change in Fund Balance	(8,305,478)	655,250	8,960,728
Fund Balance, Beginning of Year	<u>15,170,542</u>	<u>15,170,542</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,865,064</u>	<u>\$ 15,825,792</u>	<u>\$ 8,960,728</u>

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Park In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 9,284	\$ 9,284
Total Revenues	<u>-</u>	<u>9,284</u>	<u>9,284</u>
Expenditures:			
Capital outlay	501,252	-	501,252
Total Expenditures	<u>501,252</u>	<u>-</u>	<u>501,252</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(501,252)</u>	<u>9,284</u>	<u>510,536</u>
Fund Balance, Beginning of Year	<u>518,737</u>	<u>518,737</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 17,485</u>	<u>\$ 528,021</u>	<u>\$ 510,536</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 4,194	\$ 4,194
Development tax	-	30,972	30,972
Other	135,000	110,000	(25,000)
	<u>135,000</u>	<u>145,166</u>	<u>10,166</u>
Total Revenues	<u>135,000</u>	<u>145,166</u>	<u>10,166</u>
Expenditures:			
Current:			
Recreation and social services	281,800	5,520	276,280
	<u>281,800</u>	<u>5,520</u>	<u>276,280</u>
Total Expenditures	<u>281,800</u>	<u>5,520</u>	<u>276,280</u>
Net Change in Fund Balance	(146,800)	139,646	286,446
Fund Balance, Beginning of Year	<u>222,234</u>	<u>222,234</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 75,434</u>	<u>\$ 361,880</u>	<u>\$ 286,446</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 6,192	\$ 6,192
Total Revenues	<u>-</u>	<u>6,192</u>	<u>6,192</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)	6,192	12,692
Fund Balance, Beginning of Year	<u>640,976</u>	<u>640,976</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 634,476</u>	<u>\$ 647,168</u>	<u>\$ 12,692</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 15,000	\$ -	\$ (15,000)
Total Revenues	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Expenditures:			
Capital outlay	11,200	10,761	439
Total Expenditures	<u>11,200</u>	<u>10,761</u>	<u>439</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,800</u>	<u>(10,761)</u>	<u>(14,561)</u>
Other Financing Sources (Uses):			
Transfers out	(640,000)	(640,000)	-
Total Other Financing Sources (Uses)	<u>(640,000)</u>	<u>(640,000)</u>	<u>-</u>
Net Change in Fund Balance	(636,200)	(650,761)	(14,561)
Fund Balance, Beginning of Year	<u>723,666</u>	<u>723,666</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 87,466</u></u>	<u><u>\$ 72,905</u></u>	<u><u>\$ (14,561)</u></u>

This page intentionally left blank

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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 24,471	\$ 24,471
Total Revenues	<u>-</u>	<u>24,471</u>	<u>24,471</u>
Expenditures:			
Capital outlay	2,361,100	157,486	2,203,614
Total Expenditures	<u>2,361,100</u>	<u>157,486</u>	<u>2,203,614</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,361,100)</u>	<u>(133,015)</u>	<u>2,228,085</u>
Fund Balance, Beginning of Year	<u>1,090,940</u>	<u>1,090,940</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (1,270,160)</u></u>	<u><u>\$ 957,925</u></u>	<u><u>\$ 2,228,085</u></u>

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, 2018

		Special Revenue Funds		
		Gas Tax	Street Lighting District	Asset Forfeiture
ASSETS				
Cash and investments		\$ 1,493,965	\$ 6,534,935	\$ 1,238
Receivables:				
Taxes		-	15,604	-
Intergovernmental		165,618	-	-
Notes		-	155,674	-
Prepays		-	598,904	-
Advances to other funds		-	1,500,000	-
		<u> </u>	<u> </u>	<u> </u>
Total Assets		<u>\$ 1,659,583</u>	<u>\$ 8,805,117</u>	<u>\$ 1,238</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities		\$ 1,961	\$ 206,396	\$ -
		<u> </u>	<u> </u>	<u> </u>
Total Liabilities		<u>1,961</u>	<u>206,396</u>	<u>-</u>
Fund Balances:				
Nonspendable		-	598,904	-
Restricted		1,657,622	7,999,817	1,238
Committed		-	-	-
		<u> </u>	<u> </u>	<u> </u>
Total Fund Balances		<u>1,657,622</u>	<u>8,598,721</u>	<u>1,238</u>
		<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances		<u>\$ 1,659,583</u>	<u>\$ 8,805,117</u>	<u>\$ 1,238</u>

Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
Disaster Contingency	
\$ 6,320,696	\$ 14,350,834
-	15,604
-	165,618
-	155,674
-	598,904
-	1,500,000
<u>\$ 6,320,696</u>	<u>\$ 16,786,634</u>

<u>\$ -</u>	<u>\$ 208,357</u>
<u>-</u>	<u>208,357</u>
-	598,904
-	9,658,677
<u>6,320,696</u>	<u>6,320,696</u>
<u>6,320,696</u>	<u>16,578,277</u>
<u>\$ 6,320,696</u>	<u>\$ 16,786,634</u>

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2018

	Special Revenue Funds		
	Gas Tax	Street Lighting District	Asset Forfeiture
Revenues:			
Taxes	\$ 433,700	\$ 1,621,858	\$ -
Fines and penalties	-	-	430
Investment income, net	19,407	-	18
Intergovernmental	639,528	6,330	-
Total Revenues	<u>1,092,635</u>	<u>1,628,188</u>	<u>448</u>
Expenditures:			
Current:			
Public works	-	1,593,500	-
Capital outlay	1,484,250	652,151	-
Total Expenditures	<u>1,484,250</u>	<u>2,245,651</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(391,615)</u>	<u>(617,463)</u>	<u>448</u>
Other Financing Sources:			
Transfers in	958,000	1,000,000	-
Total Other Financing Sources	<u>958,000</u>	<u>1,000,000</u>	<u>-</u>
Net Change in Fund Balances	566,385	382,537	448
Fund Balances, Beginning of Year	<u>1,091,237</u>	<u>8,216,184</u>	<u>790</u>
Fund Balances, End of Year	<u>\$ 1,657,622</u>	<u>\$ 8,598,721</u>	<u>\$ 1,238</u>

Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
Disaster Contingency	
\$ -	\$ 2,055,558
-	430
111,137	130,562
-	645,858
<u>111,137</u>	<u>2,832,408</u>
-	1,593,500
<u>-</u>	<u>2,136,401</u>
-	3,729,901
<u>111,137</u>	<u>(897,493)</u>
<u>-</u>	<u>1,958,000</u>
<u>-</u>	<u>1,958,000</u>
111,137	1,060,507
<u>6,209,559</u>	<u>15,517,770</u>
<u>\$ 6,320,696</u>	<u>\$ 16,578,277</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 422,000	\$ 433,700	\$ 11,700
Investment income, net	10,000	19,407	9,407
Intergovernmental	655,000	639,528	(15,472)
Other	10,000	-	(10,000)
Total Revenues	<u>1,097,000</u>	<u>1,092,635</u>	<u>(4,365)</u>
Expenditures:			
Capital outlay	<u>3,531,800</u>	<u>1,484,250</u>	<u>2,047,550</u>
Total Expenditures	<u>3,531,800</u>	<u>1,484,250</u>	<u>2,047,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,434,800)</u>	<u>(391,615)</u>	<u>2,043,185</u>
Other Financing Sources:			
Transfers in	<u>958,000</u>	<u>958,000</u>	<u>-</u>
Total Other Financing Sources	<u>958,000</u>	<u>958,000</u>	<u>-</u>
Net Change in Fund Balance	(1,476,800)	566,385	2,043,185
Fund Balance, Beginning of Year	<u>1,091,237</u>	<u>1,091,237</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (385,563)</u>	<u>\$ 1,657,622</u>	<u>\$ 2,043,185</u>

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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,501,000	\$ 1,621,858	\$ 120,858
Intergovernmental	4,000	6,330	2,330
Total Revenues	<u>1,505,000</u>	<u>1,628,188</u>	<u>123,188</u>
Expenditures:			
Current:			
Public works	3,683,071	1,593,500	2,089,571
Capital outlay	3,621,400	652,151	2,969,249
Total Expenditures	<u>7,304,471</u>	<u>2,245,651</u>	<u>5,058,820</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,799,471)</u>	<u>(617,463)</u>	<u>5,182,008</u>
Other Financing Sources (Uses):			
Transfers in	1,000,000	1,000,000	-
Transfers out	(1,201,931)	-	1,201,931
Total Other Financing Sources (Uses)	<u>(201,931)</u>	<u>1,000,000</u>	<u>1,201,931</u>
Net Change in Fund Balance	(6,001,402)	382,537	6,383,939
Fund Balance, Beginning of Year	<u>8,216,184</u>	<u>8,216,184</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,214,782</u>	<u>\$ 8,598,721</u>	<u>\$ 6,383,939</u>

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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 60,000	\$ 111,137	\$ 51,137
Total Revenues	<u>60,000</u>	<u>111,137</u>	<u>51,137</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	60,000	111,137	51,137
Fund Balance, Beginning of Year	<u>6,209,559</u>	<u>6,209,559</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,269,559</u>	<u>\$ 6,320,696</u>	<u>\$ 51,137</u>

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, 2018

	Insurance and Employee Benefits	Vehicle Replacement	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 10,175,003	\$ 8,425,802	\$ 18,600,805
Receivables:			
Accounts	1,370,106	-	1,370,106
Total Current Assets	11,545,109	8,425,802	19,970,911
Noncurrent Assets:			
Advances to other funds	2,292,508	700,000	2,992,508
Notes receivable	7,500	411,674	419,174
Property for housing program	1,743,653	-	1,743,653
Capital assets, net of depreciation	-	4,028,170	4,028,170
Total Noncurrent Assets	4,043,661	5,139,844	9,183,505
Total Assets	15,588,770	13,565,646	29,154,416
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	310,511	759,820	1,070,331
Compensated absences, due within one year	796,047	-	796,047
Insurance claims payable, due within one year	2,016,650	-	2,016,650
Total Current Liabilities	3,123,208	759,820	3,883,028
Noncurrent Liabilities:			
Compensated absences	3,184,189	-	3,184,189
Insurance claims payable	4,705,514	-	4,705,514
Total Noncurrent Liabilities	7,889,703	-	7,889,703
Total Liabilities	11,012,911	759,820	11,772,731
NET POSITION			
Net investment in capital assets	-	4,028,170	4,028,170
Unrestricted	4,575,859	8,777,656	13,353,515
Total Net Position	\$ 4,575,859	\$ 12,805,826	\$ 17,381,685

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2018

	Insurance and Employee Benefits	Vehicle Replacement	Total
Operating Revenues:			
Vehicle rentals	\$ -	\$ 1,643,317	\$ 1,643,317
Employee benefits charges	817,300	-	817,300
Insurance charges	10,489,040	-	10,489,040
Total Operating Revenues	11,306,340	1,643,317	12,949,657
Operating Expenses:			
Administration	124,697	-	124,697
Employee benefits	960,220	-	960,220
Insurance claims and premiums	8,701,293	-	8,701,293
Depreciation	-	689,725	689,725
Total Operating Expenses	9,786,210	689,725	10,475,935
Operating Income	1,520,130	953,592	2,473,722
Nonoperating Revenues:			
Investment income	-	6,219	6,219
Gain on disposal of capital assets or property	-	118,072	118,072
Total Nonoperating Revenues	-	124,291	124,291
Income Before Transfers	1,520,130	1,077,883	2,598,013
Transfers:			
Transfers in	1,142,920	500,000	1,642,920
Transfers out	-	(457,535)	(457,535)
Total Transfers	1,142,920	42,465	1,185,385
Change in Net Position	2,663,050	1,120,348	3,783,398
Net Position, Beginning of Year, as restated	1,912,809	11,685,478	13,598,287
Net Position, End of Year	\$ 4,575,859	\$ 12,805,826	\$ 17,381,685

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018

	Insurance and Employee Benefits	Vehicle Replacement	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 9,957,329	\$ 1,644,407	\$ 11,601,736
Cash payments to suppliers for goods and services	(8,706,774)	-	(8,706,774)
Cash payments to employees for services	(612,178)	-	(612,178)
	<u>638,377</u>	<u>1,644,407</u>	<u>2,282,784</u>
Net Cash Provided by Operating Activities			
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	1,142,920	500,000	1,642,920
Cash provided to other funds	-	(29,082)	(29,082)
Cash received for payment on advance to other funds	722,723	-	722,723
Cash received related to housing program	-	18,877	18,877
	<u>1,865,643</u>	<u>489,795</u>	<u>2,355,438</u>
Net Cash Provided by Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	(831,087)	(831,087)
Purchase of capital assets for transit enterprise fund	-	(428,453)	(428,453)
Proceeds from sale of capital assets	-	55,021	55,021
	<u>-</u>	<u>(1,204,519)</u>	<u>(1,204,519)</u>
Net Cash Used for Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Interest received	-	6,219	6,219
	<u>-</u>	<u>6,219</u>	<u>6,219</u>
Net Cash Provided by Investing Activities			
Net Increase in Cash and Cash Equivalents	2,504,020	935,902	3,439,922
Cash and Cash Equivalents, Beginning of Year	<u>7,670,983</u>	<u>7,489,900</u>	<u>15,160,883</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,175,003</u>	<u>\$ 8,425,802</u>	<u>\$ 18,600,805</u>

(Continued)

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018
(Continued)

	Insurance and Employee Benefits	Vehicle Replacement	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 1,520,130	\$ 953,592	\$ 2,473,722
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	689,725	689,725
(Increase) decrease in accounts receivable	(1,349,011)	1,090	(1,347,921)
Increase (decrease) in accounts payable and accrued liabilities	222,021	-	222,021
Increase (decrease) in compensated absences payable	348,042	-	348,042
Increase (decrease) in insurance claims payable	(102,805)	-	(102,805)
	<u>\$ 638,377</u>	<u>\$ 1,644,407</u>	<u>\$ 2,282,784</u>
Net Cash Provided by Operating Activities			
	<u>\$ 638,377</u>	<u>\$ 1,644,407</u>	<u>\$ 2,282,784</u>
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Trade-in value of disposed capital assets	\$ -	\$ 77,174	\$ 77,174
	<u>\$ -</u>	<u>\$ 77,174</u>	<u>\$ 77,174</u>

This page intentionally left blank

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, 2018

	1915 Act Bonds	Deposits	Total
ASSETS			
Cash and investments	\$ 1,011,769	\$ 3,093,198	\$ 4,104,967
Investments with fiscal agent	664,732	-	664,732
Receivables:			
Taxes	11,573	-	11,573
Intergovernmental	2,572	-	2,572
	<u>\$ 1,690,646</u>	<u>\$ 3,093,198</u>	<u>\$ 4,783,844</u>
Total Assets			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 67,364	\$ 67,364
Deposits	-	3,025,834	3,025,834
Due to bondholders	1,690,646	-	1,690,646
	<u>\$ 1,690,646</u>	<u>\$ 3,093,198</u>	<u>\$ 4,783,844</u>
Total Liabilities			

CITY OF LAGUNA BEACH
Agency Funds
Statement of Changes in Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>1915 ACT BONDS</u>				
Assets				
Cash and investments	\$ 1,228,261	\$ 1,837,801	\$ 2,054,293	\$ 1,011,769
Investments with fiscal agent	686,460	1,140,734	1,162,462	664,732
Receivables:				
Taxes	21,200	11,572	21,199	11,573
Intergovernmental	-	2,572	-	2,572
Total Assets	<u>\$ 1,935,921</u>	<u>\$ 2,992,679</u>	<u>\$ 3,237,954</u>	<u>\$ 1,690,646</u>
Liabilities				
Due to bondholders	<u>\$ 1,935,921</u>	<u>\$ 2,992,683</u>	<u>\$ 3,237,958</u>	<u>\$ 1,690,646</u>
<u>DEPOSITS</u>				
Assets				
Cash and investments	<u>\$ 2,726,274</u>	<u>\$ 1,402,208</u>	<u>\$ 1,035,284</u>	<u>\$ 3,093,198</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 66,542	\$ 926,424	\$ 925,602	\$ 67,364
Deposits	2,659,732	1,367,517	1,001,415	3,025,834
Total Liabilities	<u>\$ 2,726,274</u>	<u>\$ 2,293,941</u>	<u>\$ 1,927,017</u>	<u>\$ 3,093,198</u>
<u>TOTALS</u>				
Assets				
Cash and investments	\$ 3,954,535	\$ 3,240,009	\$ 3,089,577	\$ 4,104,967
Investments with fiscal agent	686,460	1,140,734	1,162,462	664,732
Receivables:				
Taxes	21,200	11,572	21,199	11,573
Intergovernmental	-	2,572	-	2,572
Total Assets	<u>\$ 4,662,195</u>	<u>\$ 4,394,887</u>	<u>\$ 4,273,238</u>	<u>\$ 4,783,844</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 66,542	\$ 926,424	\$ 925,602	\$ 67,364
Deposits	2,659,732	1,367,517	1,001,415	3,025,834
Due to bondholders	1,935,921	2,992,683	3,237,958	1,690,646
Total Liabilities	<u>\$ 4,662,195</u>	<u>\$ 5,286,624</u>	<u>\$ 5,164,975</u>	<u>\$ 4,783,844</u>

This page intentionally left blank

STATISTICAL SECTION

This page intentionally left blank

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			
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	\$ 318,076,672	\$ 315,618,279	\$ 321,965,481	\$ 324,225,923
Restricted	10,806,358	12,512,277	5,196,077	5,869,787
Unrestricted	40,877,799	43,085,546	56,708,144	50,569,411
Total governmental activities	<u>\$ 369,760,829</u>	<u>\$ 371,216,102</u>	<u>\$ 383,869,702</u>	<u>\$ 380,665,121</u>
Business-type activities:				
Net investment in capital assets	\$ 2,706,697	\$ 2,620,625	\$ 3,033,502	\$ 2,834,551
Unrestricted	464,012	55,182	372,435	372,452
Total business type activities	<u>\$ 3,170,709</u>	<u>\$ 2,675,807</u>	<u>\$ 3,405,937</u>	<u>\$ 3,207,003</u>
Primary Government:				
Net investment in capital assets	\$ 320,783,369	\$ 318,238,904	\$ 324,998,983	\$ 327,060,474
Restricted	10,806,358	12,512,277	5,196,077	5,869,787
Unrestricted	41,341,811	43,140,728	57,080,579	50,941,863
Total business type activities	<u>\$ 372,931,538</u>	<u>\$ 373,891,909</u>	<u>\$ 387,275,639</u>	<u>\$ 383,872,124</u>

Data Source: City Records

Fiscal Years

2013	2014	2015	2016	2017	2018
\$ 328,944,217	\$ 299,392,486	\$ 301,705,857	\$ 299,735,000	\$ 279,232,956	\$ 295,985,393
4,421,951	7,223,908	9,559,633	15,943,397	12,576,083	12,897,272
<u>60,011,983</u>	<u>57,924,594</u>	<u>16,937,401</u>	<u>27,254,391</u>	<u>35,076,956</u>	<u>35,892,931</u>
<u>\$ 393,378,151</u>	<u>\$ 364,540,988</u>	<u>\$ 328,202,891</u>	<u>\$ 342,932,788</u>	<u>\$ 326,885,995</u>	<u>\$ 344,775,596</u>
\$ 2,642,078	\$ 43,758,305	\$ 42,452,562	\$ 45,461,137	\$ 39,751,055	\$ 41,056,246
408,379	3,173,301	3,197,284	2,377,065	1,312,520	133,248
<u>\$ 3,050,457</u>	<u>\$ 46,931,606</u>	<u>\$ 45,649,846</u>	<u>\$ 47,838,202</u>	<u>\$ 41,063,575</u>	<u>\$ 41,189,494</u>
\$ 331,586,295	\$ 343,150,791	\$ 344,158,419	\$ 345,196,137	\$ 318,984,011	337,041,639
4,421,951	7,223,908	9,559,633	15,943,397	12,576,083	12,897,272
<u>60,420,362</u>	<u>61,097,895</u>	<u>20,134,685</u>	<u>29,631,456</u>	<u>36,389,476</u>	<u>36,026,179</u>
<u>\$ 396,428,608</u>	<u>\$ 411,472,594</u>	<u>\$ 373,852,737</u>	<u>\$ 390,770,990</u>	<u>\$ 367,949,570</u>	<u>\$ 385,965,090</u>

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

	Fiscal Years			
	2009	2010	2011	2012
Expenses:				
Governmental activities:				
General government	\$ 4,375,200	\$ 4,252,146	\$ 4,291,832	\$ 4,658,171
Community development	3,768,607	3,614,799	3,686,004	3,991,867
Public Safety	25,697,805	25,351,962	26,364,923	26,937,061
Public Works	18,182,514	20,707,700	14,336,928	13,913,687
Recreation and social services	4,147,762	4,268,774	4,676,679	5,004,329
Sewer service operating costs	5,850,403	5,673,965	5,700,769	6,063,835
Interest on long-term debt	368,191	290,473	187,964	211,810
Total governmental activities expenses	<u>62,390,482</u>	<u>64,159,819</u>	<u>59,245,099</u>	<u>60,780,760</u>
Business-type activities:				
Municipal transit	2,318,378	2,458,706	2,450,265	2,233,496
Sewer Service	-	-	-	-
Total business-type activities expenses	<u>2,318,378</u>	<u>2,458,706</u>	<u>2,450,265</u>	<u>2,233,496</u>
Total primary government expenses	<u>\$ 64,708,860</u>	<u>\$ 66,618,525</u>	<u>\$ 61,695,364</u>	<u>\$ 63,014,256</u>
Program revenues:				
Governmental activities:				
Charges for Services:				
General Government	\$ 1,073,481	\$ 945,403	\$ 890,306	\$ 882,761
Community development	2,587,192	2,523,559	2,246,036	2,195,031
Public safety	2,257,248	2,111,769	1,725,333	1,752,556
Public works	6,563,355	6,081,042	6,994,344	6,295,258
Recreation and social services	1,448,611	2,776,127	3,311,914	3,050,630
Sewer service operating costs	5,766,575	5,949,922	6,082,856	6,308,982
Operating Grants and Contributions:	5,445,042	3,192,109	3,930,216	1,961,730
Capital Grants and Contributions:	<u>1,083,774</u>	<u>75,751</u>	<u>1,002,303</u>	<u>878,382</u>
Total governmental activities program revenues	<u>26,225,278</u>	<u>23,655,682</u>	<u>26,183,308</u>	<u>23,325,330</u>
Business-type activities				
Charges for Services:				
Municipal Transit	323,660	313,847	323,428	318,205
Sewer service	-	-	-	-
Operating Grants and Contributions:	1,019,877	1,155,687	1,637,397	1,321,121
Capital Grants and Contributions:	<u>9,496</u>	<u>-</u>	<u>393,174</u>	<u>-</u>
Total business-type activities program revenues	<u>1,353,033</u>	<u>1,469,534</u>	<u>2,353,999</u>	<u>1,639,326</u>
Total primary government program revenues	<u>27,578,311</u>	<u>25,125,216</u>	<u>28,537,307</u>	<u>24,964,656</u>
Net revenues (expenses):				
Governmental activities	(36,165,204)	(40,504,137)	(33,061,791)	(37,455,430)
Business-type activities	<u>(965,345)</u>	<u>(989,172)</u>	<u>(96,266)</u>	<u>(594,170)</u>
Total net revenues (expenses)	<u>\$ (37,130,549)</u>	<u>\$ (41,493,309)</u>	<u>\$ (33,158,057)</u>	<u>\$ (38,049,600)</u>

Data Source: City Records

Fiscal Years					
2013	2014	2015	2016	2017	2018
\$ 4,773,294	\$ 3,252,176	\$ 4,011,666	\$ 4,961,384	\$ 6,155,221	\$ 5,999,777
3,826,827	4,103,329	4,286,769	5,098,251	5,066,791	5,638,445
24,694,999	25,755,201	26,606,083	31,639,192	31,929,625	34,698,566
12,424,315	16,320,422	18,085,062	20,779,294	26,449,618	25,566,306
4,787,756	5,173,507	6,022,747	5,481,466	5,461,800	5,838,148
5,519,819	-	-	-	-	-
129,382	-	-	-	-	-
<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>	<u>77,741,242</u>
2,148,718	2,333,048	2,434,172	2,976,677	3,137,062	3,703,612
-	5,636,354	7,569,442	5,963,003	6,720,112	8,381,044
<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>12,084,656</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>	<u>\$ 89,825,898</u>
\$ 906,051	\$ 981,002	\$ 1,015,049	\$ 1,002,599	\$ 1,104,868	\$ 1,095,550
2,731,302	3,204,521	3,167,128	3,773,050	4,033,486	3,620,227
1,797,519	1,591,619	1,989,290	1,679,812	1,448,493	1,643,406
7,428,761	7,343,113	9,314,702	8,622,598	9,936,897	9,169,286
3,200,792	3,305,296	3,979,198	3,641,643	3,559,566	4,544,920
6,588,390	-	-	-	-	-
2,024,308	1,971,819	2,764,891	1,849,916	1,823,585	2,154,138
131,497	1,596,735	433,681	8,212,560	4,894,568	14,384,725
<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>	<u>36,612,252</u>
326,723	346,288	319,134	313,458	302,683	288,339
-	6,814,418	7,093,423	7,400,257	7,699,521	8,050,631
1,322,049	1,765,639	2,302,614	2,332,192	1,711,517	2,579,238
-	851,923	555,307	-	-	-
<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>10,918,208</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>	<u>47,530,460</u>
(31,347,772)	(34,610,530)	(36,348,387)	(39,177,409)	(48,261,592)	(41,128,990)
(499,946)	1,808,866	266,864	1,106,227	(143,453)	(1,166,448)
<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>	<u>\$ (42,295,438)</u>

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

	Fiscal Years			
	2009	2010	2011	2012
General Revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 26,973,472	\$ 27,766,596	\$ 27,799,676	\$ 26,553,228
Sales Tax	3,427,084	3,206,617	3,356,309	3,825,793
Sales tax in-lieu	1,163,049	697,446	948,251	979,382
Transient occupancy taxes	7,856,964	6,759,353	7,073,251	7,904,562
Other taxes	5,759,315	1,816,278	2,167,624	2,311,061
Motor vehicle license fees, unrestricted	85,458	74,043	115,763	-
Investment Income	1,768,663	1,332,412	1,028,790	739,632
Other general revenue	754,080	775,565	1,365,120	1,576,053
Gain on sale of assets	(60,087)	-	5,050	70,207
Transfers	(602,000)	(468,900)	(823,900)	(391,300)
Total governmental activities	<u>\$ 47,125,998</u>	<u>\$ 41,959,410</u>	<u>\$ 43,035,934</u>	<u>\$ 43,568,618</u>
Business-type activities				
Investment Income	\$ 10,377	\$ 19,065	\$ 2,496	\$ 3,936
Other general revenue	1,764	4,003	-	-
Gain or loss on sale of assets	-	2,302	-	-
Transfers	602,400	468,900	823,900	391,300
Total Business-type activities	<u>\$ 614,541</u>	<u>\$ 494,270</u>	<u>\$ 826,396</u>	<u>\$ 395,236</u>
Total Primary government	<u>\$ 47,740,539</u>	<u>\$ 42,453,680</u>	<u>\$ 43,862,330</u>	<u>\$ 43,963,854</u>
Changes in net position				
Governmental activities	\$ 10,960,794	\$ 1,455,273	\$ 9,974,143	\$ 6,113,188
Business-type activities	(350,804)	(494,902)	730,130	(198,934)
Total primary government	<u>\$ 10,609,990</u>	<u>\$ 960,371</u>	<u>\$ 10,704,273</u>	<u>\$ 5,914,254</u>

Data Source: City Records

Fiscal Years					
2013	2014	2015	2016	2017	2018
\$ 27,498,818	\$ 29,051,006	\$ 30,945,911	\$ 34,100,038	\$ 36,391,079	\$ 38,727,313
3,989,812	4,230,239	4,602,679	5,345,953	6,000,084	6,124,970
1,125,941	1,185,284	1,201,956	1,029,002	-	-
8,537,050	9,366,183	9,872,378	10,754,654	12,670,071	14,708,047
2,086,233	2,147,742	2,233,271	1,372,912	1,418,582	1,360,102
-	-	-	-	-	-
(70,016)	1,160,595	708,579	1,259,063	35,817	308,576
964,666	1,002,476	1,172,011	1,059,699	964,459	576,925
271,698	198,439	75,928	31,283	338,126	126,977
(343,400)	(915,389)	(1,350,691)	(1,045,298)	(1,449,674)	(1,303,635)
<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>	<u>\$ 60,629,275</u>
\$ -	\$ 3,819	\$ 25,464	\$ 36,734	\$ 18,087	\$ 17,193
-	25,103	4,650	97	21,895	74,577
-	-	(6,537)	-	-	15,138
343,400	915,389	1,350,691	1,045,298	1,449,674	1,303,635
<u>\$ 343,400</u>	<u>\$ 944,311</u>	<u>\$ 1,374,268</u>	<u>\$ 1,082,129</u>	<u>\$ 1,489,656</u>	<u>\$ 1,410,543</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>	<u>\$ 62,039,818</u>
\$ 12,713,030	\$ 12,816,045	\$ 13,113,635	\$ 14,729,897	\$ 8,106,952	\$ 19,500,285
(156,546)	2,753,177	1,641,132	2,188,356	1,346,203	244,095
<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>	<u>\$ 19,744,380</u>

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

	Fiscal Years			
	2009	2010	2011	2012
General Fund:				
Reserved	\$ 5,858,971	\$ 3,056,277	\$ -	\$ -
Unreserved	28,418,761	22,743,525	-	-
Nonspendable	-	-	1,457,462	103,726
Restricted	-	-	4,731,971	3,526,976
Committed	-	-	234,988	306,539
Assigned	-	-	19,511,838	20,962,498
Unassigned	-	-	4,822,332	8,215,647
Total general fund	<u>\$ 34,277,732</u>	<u>\$ 25,799,802</u>	<u>\$ 30,758,591</u>	<u>\$ 33,115,386</u>
All other governmental funds:				
Reserved	\$ 4,788,422	\$ 5,235,110	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	2,939,618	5,511,826	-	-
Capital project funds	2,990,803	1,269,168	-	-
Nonspendable	-	-	791,384	791,384
Restricted	-	-	6,266,345	10,385,155
Committed	-	-	5,857,868	-
Assigned	-	-	-	-
Unassigned	-	-	(2,184,688)	(774,645)
Total all other governmental funds	<u>\$ 10,718,843</u>	<u>\$ 12,016,104</u>	<u>\$ 10,730,909</u>	<u>\$ 10,401,894</u>

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

Fiscal Years

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
129,616	146,990	115,089	115,607	51,539	1,490,158
3,317,856	2,958,295	3,073,396	2,566,305	2,176,142	1,681,766
306,359	334,525	363,278	350,106	192,825	885,622
27,272,289	23,734,527	29,467,522	36,008,155	40,163,871	38,308,560
6,781,959	13,420,963	16,308,063	18,240,858	20,942,863	21,282,064
<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>	<u>\$ 63,648,170</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,531,567	2,190,000	-	-	-	598,904
3,595,034	4,265,613	6,486,737	13,377,092	10,399,151	10,616,602
5,984,699	6,034,556	6,089,679	6,153,059	6,209,559	6,320,696
265,217	-	-	-	-	-
(148,095)	(531,502)	(521,922)	-	-	-
<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>	<u>\$ 17,536,202</u>

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

	Fiscal Years			
	2009	2010	2011	2012
Revenues:				
Taxes and special assessments	\$ 44,868,922	\$ 40,986,641	\$ 41,678,318	\$ 41,653,733
License and permits	1,141,821	924,040	990,966	975,884
Fines and penalties	1,807,176	1,483,462	1,274,270	1,283,698
Investment income	1,907,979	1,361,432	1,064,467	739,628
Rental income	387,562	420,678	445,491	419,641
Intergovernmental	4,892,173	3,228,921	3,978,327	3,469,505
Charges for services	12,444,053	12,693,018	13,056,488	12,987,838
Parking meters, lots and permits	4,715,786	4,080,151	4,891,228	4,276,533
Development tax	6,441	39,804	680,391	183,704
Contributions from property owners	-	-	-	-
Other	2,238,673	1,047,961	1,372,893	900,815
Total Revenue	<u>\$ 74,410,586</u>	<u>\$ 66,266,108</u>	<u>\$ 69,432,839</u>	<u>\$ 66,890,979</u>
Expenditures				
Current:				
General government	\$ 3,977,543	\$ 3,901,637	\$ 3,991,706	\$ 4,071,235
Community development	3,636,575	3,482,651	3,531,828	3,600,452
Public Safety	25,048,032	24,681,583	24,676,244	24,419,318
Public works	11,049,821	11,070,780	10,097,113	10,671,049
Recreation and social services	4,006,552	4,196,800	4,003,836	4,049,299
Sewer service operating costs	3,886,559	4,093,162	4,009,715	4,062,448
Capital outlay	24,039,610	9,377,939	11,060,240	10,745,569
Debt service:				
Principal	1,655,800	1,425,000	1,490,000	1,915,472
Interest and fiscal charges	717,756	697,523	625,428	181,283
Total Expenditures	<u>\$ 78,018,248</u>	<u>\$ 62,927,075</u>	<u>\$ 63,486,110</u>	<u>\$ 63,716,125</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (3,607,662)	\$ 3,339,033	\$ 5,946,729	\$ 3,174,854
Other financing sources (uses):				
Transfer In	\$ 1,499,569	\$ 6,087,140	\$ 538,742	\$ 987,270
Transfer Out	(2,101,969)	(6,803,929)	(2,816,927)	(2,446,370)
Issuance of bond	-	-	-	459,263
Issuance of loan	2,586,128	152,486	-	-
Advance payments of PERS obligation	-	(9,956,355)	-	-
Sales of land and equipment	7,223	956	5,050	12,109
Total other financing sources (uses)	<u>1,990,951</u>	<u>(10,519,702)</u>	<u>(2,273,135)</u>	<u>(987,728)</u>
Net change in fund balances	<u>\$ (1,616,711)</u>	<u>\$ (7,180,669)</u>	<u>\$ 3,673,594</u>	<u>\$ 2,187,126</u>
Debt service as a percentage of noncapital expenditures	4.6%	4.1%	4.2%	4.1%

Data Source: City Records

Fiscal Years					
2013	2014	2015	2016	2017	2018
\$ 43,929,172	\$ 46,861,756	\$ 49,740,077	\$ 53,422,115	\$ 57,209,543	\$ 61,759,702
1,052,041	1,292,248	1,257,275	1,500,393	1,580,348	1,563,386
1,341,961	1,179,799	1,161,445	1,168,255	1,001,556	1,056,801
(70,016)	1,159,549	715,521	1,256,302	35,817	302,357
427,341	500,642	484,579	481,114	463,868	457,540
2,121,486	3,363,671	2,817,867	2,118,995	1,785,855	2,508,832
13,603,713	7,509,075	8,153,319	8,177,621	8,508,729	8,711,740
5,384,197	5,308,051	7,400,349	6,739,529	7,857,684	6,994,805
433,526	254,370	271,927	185,949	310,117	178,875
-	-	-	7,281,713	167,566	32,723
652,921	802,838	1,556,022	957,974	644,607	618,968
<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>	<u>\$ 84,185,729</u>
\$ 4,014,084	\$ 3,701,265	\$ 4,598,623	\$ 5,330,478	\$ 5,851,668	\$ 5,795,153
3,751,468	4,034,924	4,445,514	5,041,256	5,065,752	5,598,168
24,336,927	25,170,727	27,014,412	30,647,342	30,351,932	34,592,292
10,958,046	12,292,930	11,867,474	12,839,368	14,049,840	16,005,447
4,216,980	4,581,842	4,902,441	4,889,196	4,770,513	5,305,605
3,950,183	-	-	-	-	-
8,974,111	15,782,365	10,735,900	7,172,705	13,495,671	13,351,622
360,040	-	-	-	-	-
132,459	-	-	-	-	-
<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>	<u>\$ 80,648,287</u>
\$ 8,182,044	\$ 2,667,946	\$ 9,994,017	\$ 17,369,615	\$ 5,980,314	\$ 3,537,442
\$ 1,697,131	\$ 419,760	\$ 1,050,000	\$ 120,000	\$ 1,744,140	\$ 2,113,000
(2,614,936)	(1,869,144)	(2,223,400)	(2,071,298)	(4,989,570)	(4,602,020)
-	-	-	-	584,993	-
-	-	-	-	-	-
-	-	-	-	-	-
254,582	168,676	7,258	11,023	4,891	0
<u>(663,223)</u>	<u>(1,280,708)</u>	<u>(1,166,142)</u>	<u>(1,940,275)</u>	<u>(2,655,546)</u>	<u>(2,489,020)</u>
\$ 7,518,821	\$ 1,387,238	\$ 8,827,875	\$ 15,429,340	\$ 3,324,768	\$ 1,048,422
1.0%	0.0%	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
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%
2018	14,298,272,576	111,731,729	14,410,004,305	1.607%

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			
	2009	2010	2011	2012
City Direct Rates:				
City basic rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Total City Direct Rate	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Overlapping Rates:				
City of Laguna Beach Bonds	0.0152	0.0137	0.0119	-
Unified School District Bonds	0.0154	0.0168	0.1580	0.1601
South Coast Water District	0.0093	0.0092	0.0091	0.0082
Metro Water District	0.0043	0.0043	0.0037	0.0037
Total Direct and overlapping Rate	<u>\$ 1.04421</u>	<u>\$ 1.04406</u>	<u>\$ 1.18267</u>	<u>\$ 1.17200</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</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
-	-	-	-	-	-
0.1694	0.0157	0.0146	0.0140	0.0137	0.0129
0.0082	0.0079	0.0072	0.0067	0.0021	-
<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0035</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>	<u><u>\$ 1.01637</u></u>

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

Taxpayer	2018			2009		
	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	367,822,138	1	2.55%			
Icre Laguna Club LLC	128,586,222	2	0.89%			
Hometown Laguna Terrace LLC	58,960,968	3	0.41%			
Laguna Cove LLC	45,900,000	4	0.32%			
Warpinski Joseph	37,356,537	5	0.26%			
Iconicviews Company LLC	34,856,096	6	0.24%			
Serenita LLC	33,287,490	7	0.23%			
Irvine Cove 2004 LLC	32,576,169	8	0.23%			
Crystal Cove Cliffs LLC	31,995,164	9	0.22%			
I Cove Investment LLC	25,369,257	10	0.18%			
Laguna Beach Luxury Hotel				176,007,514	1	1.81%
Club Laguna Partnership				44,051,491	2	0.45%
Sullivan Kenneth J Iii				34,160,170	3	0.35%
Nevills Neil D Tr				30,171,600	4	0.31%
Rigg Hotel LLC				26,382,519	5	0.27%
Rosenblatt Ira H Tr				25,000,000	6	0.26%
Yi Donna Tr Cdy Family				23,496,657	7	0.24%
Sleepy Hollow Lane LLC				22,680,720	8	0.23%
Daichendt Gary J Tr				21,296,658	9	0.22%
Aliso Creek Properties				19,741,448	10	0.20%
	<u>\$ 796,710,041</u>		<u>5.53%</u>	<u>\$ 422,988,777</u>		<u>6.20%</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
2009	21,536,874	20,677,967	96.01%	858,906	21,536,873	100%
2010	22,533,278	21,703,512	96.32%	829,766	22,533,278	100%
2011	20,988,144	20,435,935	97.37%	552,209	20,988,144	100%
2012	23,406,343	22,993,852	98.24%	412,491	23,406,343	100%
2013	23,537,933	23,164,514	98.41%	373,417	23,537,931	100%
2014	24,298,820	23,997,150	98.76%	301,670	24,298,820	100%
2015	25,875,981	25,580,108	98.86%	295,873	25,875,981	100%
2016	27,900,487	27,711,235	99.32%	189,252	27,900,487	100%
2017	30,033,469	29,609,936	98.59%	423,533	30,033,469	100%
2018	31,851,921	31,494,680	98.88%	357,241	31,851,921	100%

*Source: Orange County Auditor Controller's Office, MuniServices, LLC
2014-15 and Prior Years Previous CAFR Reports*

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		
2009	4,480,000	5,949,723	-	10,429,723	-	10,429,723	0.61%	414
2010	3,055,000	5,723,651	-	8,778,651	-	8,778,651	0.46%	346
2011	1,565,000	5,382,492	-	6,947,492	-	6,947,492	0.36%	303
2012	-	5,032,020	-	5,032,020	-	5,032,020	0.27%	218
2013	-	4,671,980	-	4,671,980	-	4,671,980	0.26%	201
2014	-	-	-	-	4,302,111	4,302,111	0.24%	185
2015	-	-	-	-	3,922,145	3,922,145	0.22%	168
2016	-	-	-	-	3,531,805	3,531,805	0.19%	150
2017	-	-	-	-	3,130,810	3,130,810	0.16%	133
2018	-	-	-	-	6,718,867	6,718,867	0.32%	288

Data Source: City Records

CITY OF LAGUNA BEACH
Direct and Overlapping Debt
June 30, 2018

CITY OF LAGUNA BEACH

2017-18 Assessed Valuation: \$14,441,041,875

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2018</u>	<u>% Applicable (1)</u>	City's share of <u>Debt 6/30/18</u>
Metropolitan Water District	\$60,600,000	0.527%	\$319,362
Capistrano Unified School District School Facilities Improvement District No. 1	24,498,797	0.011	2,695
Laguna Beach Unified School District	23,300,000	72.960	16,999,680
City of Laguna Beach 1915 Act Bonds	8,216,104	100	8,216,104
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$25,537,841
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$210,347,000	2.590%	\$5,447,987
Orange County Pension Obligation Bonds	383,564,389	2.590	9,934,318
Orange County Board of Education Certificates of Participation	13,990,000	2.590	362,341
Capistrano Unified School District Certificates of Participation	29,955,000	0.007	2,097
City of Laguna Beach	0	100	0
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$15,746,743
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$41,284,584
COMBINED TOTAL DEBT			\$41,284,584 (2)

(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 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.18%
Total Direct Debt	0.00%
Combined Total Debt	0.29%

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	
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%
2018	8,050,631	6,644,252	1,406,379	411,943	79,484	286.18%

Data Source: City Records

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years			
	2009	2010	2011	2012
Assessed valuation	9,750,667,234	10,143,694,955	10,335,472,585	10,468,333,980
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,437,666,809	2,535,923,739	2,583,868,146	2,617,083,495
Debt limit percentage	15%	15%	15%	15%
Debt limit	365,650,021	380,388,561	387,580,222	392,562,524
Total net debt applicable to limit:				
General obligation bonds	<u>7,150,000</u>	<u>5,840,000</u>	<u>4,480,000</u>	<u>1,565,000</u>
Legal debt margin	<u>\$ 358,500,021</u>	<u>\$ 374,548,561</u>	<u>\$ 383,100,222</u>	<u>\$ 390,997,524</u>
Total debt applicable to the limit as a percentage of debt limit	2.0%	1.5%	1.2%	0.4%

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					
2013	2014	2015	2016	2017	2018
10,681,022,396	11,181,201,735	11,895,671,535	12,700,905,363	13,582,283,549	14,410,004,305
25%	25%	25%	25%	25%	25%
2,670,255,599	2,795,300,434	2,973,917,884	3,175,226,341	3,395,570,887	3,602,501,076
15%	15%	15%	15%	15%	15%
400,538,340	419,295,065	446,087,683	476,283,951	509,335,633	540,375,161
-	-	-	-	-	-
<u>\$ 400,538,340</u>	<u>\$ 419,295,065</u>	<u>\$ 446,087,683</u>	<u>\$ 476,283,951</u>	<u>\$ 509,335,633</u>	<u>\$ 540,375,161</u>
0.0%	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%
2018	23,309	2,095,738	89,911	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	2017-18	
	Number of Employees	Percent of Total Employment (%)
Montage Laguna Beach*	700	5.47%
Laguna Beach School District	350	2.73%
Surf & Sand Resort**	322	2.52%
Mission Hospital, Laguna Beach (1)	310	2.42%
City of Laguna Beach***	275	2.15%
Laguna College of Art & Design**	270	2.11%
Pacific Edge Hotel** (2)	173	1.35%
Las Brisas Restaurant**	169	1.32%
Mozambique**	100	0.78%
Whole Foods Market**	75	0.59%
Total Top 10 Employers	2,744	21.44%

Total City Labor Force (3) 12,800

Source: MuniServices, LLC

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

*Number includes 100 seasonal hires over the summer

**Includes full and part time

***Includes full time only

(1) 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			
	2009	2010	2011	2012
General Government	18.03	18.03	18.03	17.63
Public Safety	134.00	134.00	132.60	132.50
Public Works	57.00	55.00	54.00	51.00
Community Development	29.00	28.00	27.00	26.50
Recreational and Cultural	7.65	7.65	7.75	7.75
Water Quality	15.00	15.00	15.00	15.00
Total	<u>260.68</u>	<u>257.68</u>	<u>254.38</u>	<u>250.38</u>

Data Souce: City Records

Fiscal Years					
2013	2014	2015	2016	2017	2018
17.63	17.63	17.63	18.73	18.73	20.23
132.50	132.60	135.00	136.00	136.00	149.00
50.00	51.00	51.00	54.60	54.60	57.00
26.50	27.00	28.00	30.00	30.00	32.00
7.75	7.75	7.75	6.00	6.00	6.00
15.00	15.00	15.00	15.00	15.00	15.00
<u>249.38</u>	<u>250.98</u>	<u>254.38</u>	<u>260.33</u>	<u>260.33</u>	<u>279.23</u>

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

	Fiscal Years			
	2009	2010	2011	2012
Police				
Custodial Arrests	1,296	1,411	2,163	1,527
Traffic Violations	7,292	6,624	7,176	5,855
Parking Violations	48,148	39,108	35,688	38,553
Fire Protection:				
Number of Calls Answered	2,894	3,052	3,080	3,413
Number of Inspections	900	950	1,035	1,620
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

2013	2014	2015	2016	2017	2018
2,176	1,694	2,093	2,125	2,113	2,102
6,138	5,300	5,923	3,794	3,372	6,716
40,050	34,004	36,685	34,017	30,557	26,275
3,311	3,375	3,447	N/A	3,562	3,325
1,650	1,021	1,384	N/A	982	1,155
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			
	2009	2010	2011	2012
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					
2013	2014	2015	2016	2017	2018
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