

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2019**



**CITY OF LAGUNA BEACH, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

City Council:

Bob Whalen, Mayor  
Steve Dicterow, Mayor Pro Tem  
Sue Kempf, Council Member  
Peter Blake, Council Member  
Toni Iseman, Council Member

Laura Parisi, City Treasurer

Lisette Chel-Walker, City Clerk

John Pietig, City Manager

**Prepared by:  
Finance Division**

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**Comprehensive Annual Financial Report**  
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## **INTRODUCTORY SECTION**

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January 28, 2020

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, 2019.

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, 2019, 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, 2019, 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 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 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 still in the process of slowing down but at a slower rate than previously forecasted. UCLA Anderson Senior Economist David Schulman attributes the upgraded forecast to "improved financial conditions, a better housing and employment outlook, and the relaxation of trade tensions." Instead of calling for 1.25% real growth in 2020,

it is now expected to be closer to 1.7% and slightly increase to 1.9% in 2021. Despite these improved conditions, consumer spending is expected to slowdown largely due to a much weaker automobile industry and rising concerns in automobile credit. Housing starts continue to stay between 1.25 million and 1.3 million units and is not expected to exceed an annual run rate in excess of 1.4 million units until late 2021. This level of housing still remains below the 1.4-1.5 million units that would be consistent with long-run demand.

For California, UCLA Anderson Forecast suggests that the State's economic growth will slow in the coming year but likely to surpass that of the nation overall. In 2020 and 2021 California's average unemployment rate is expected to grow to 4.3% and 4.6% respectively with total employment growth forecasted to be 0.9% in 2020 and 1.3% in 2021. Real personal income growth is forecasted to be 2.1% and 1.9% in 2020 and 2021, reflecting "a changing mix of employment in California and a tight labor market in high wage occupations," writes UCLA Anderson Forecast Director Jerry Nickelsburg. Home building has remained in the range of 100,000 to 115,000 units and is forecasted to be lower by about 5,000 units in 2020. However, Nickelsburg remains optimistic that new residential construction will grow in 2021.

The outlook for Orange County is similar. According to the December 2019 Chapman University Forecast, Orange County will continue to experience a slowdown in job growth and is forecasted to be 1.1% in 2020. Chapman President Emeritus Jim Doti noted in his report that "a serious challenge to Orange County's economic future is the fact that much of its job creation in recent years has been in low-paying sectors like leisure and hospitality". This slowdown in job growth can be attributed to a low unemployment rate for Orange County that has stayed in the mid-2% range for most of 2019 and is anticipated to stay consistent going into 2020. However, even with a slowdown in job growth, taxable sales in the county is anticipated to increase by 3% in 2020.

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 business license 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 2018-2019 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 5.5% 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, remained flat compared to the prior fiscal year. Sales tax revenue, the third largest revenue source, experienced a increase of 7.6% from the prior year. These results contributed to the City completing FY 2018-2019 in strong financial health. Total General Fund operating revenues exceeded operating expenditures by \$8.1 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 Community Development Action Plan and a revised short-term lodging ordinance; developed a strategic plan for the Fire Department and awarded \$3.2 million in grant funding for fuel modifications; completion of Phase I of the Village Entrance Project; and continued improvements of City facilities and infrastructure improvements. Other successes include: receiving recognition and awards for the City's parking app; implementation of the Smart Parking Program that provides real-time parking availability, recognition as a first-year Tree City USA Community by the Arbor Day Foundation; 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:

- Adoption of the Wildfire Mitigation and Fire Safety Report
- Downtown Specific Plan
- Historic Preservation Ordinance
- Completion of the Village Entrance Project
- Unfunded Pension Costs
- Housing and Safety Elements Update

**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.

#### 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, 2019. 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



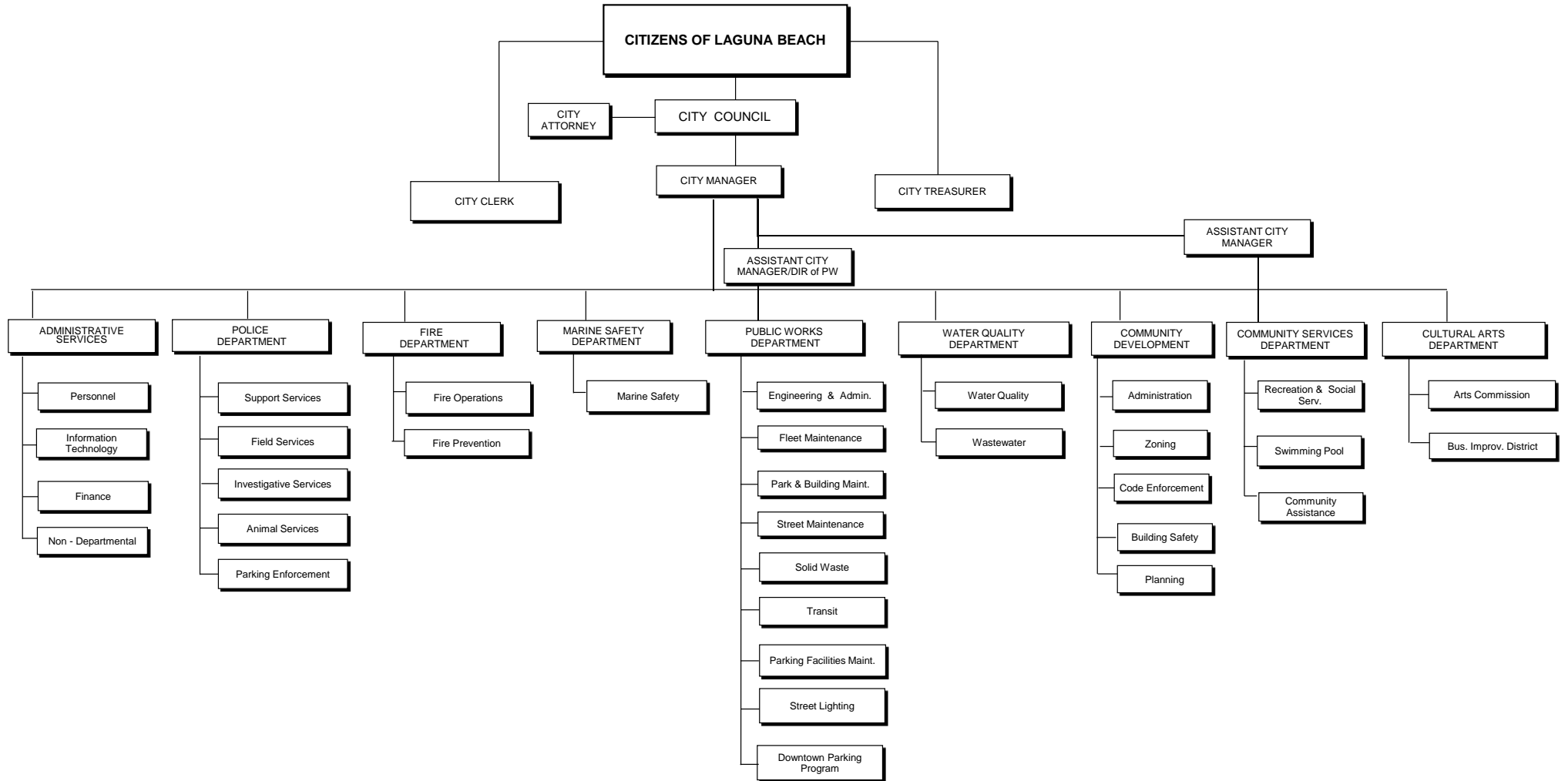
Gavin Curran  
Director of Administrative Services



Kristopher Ryan  
Finance Manager

# 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, 2018**

*Christopher P. Morrill*

Executive Director/CEO

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Laguna Beach  
Laguna Beach, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laguna Beach, California (the City), as of and for the year ended June 30, 2019, 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, 2019, 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.

## **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.

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 28, 2020, 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 Dickel Evans LLP*

Irvine, California  
January 28, 2020

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

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

As management of the City of Laguna Beach (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

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

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

## **Reporting the City as a Whole**

The accompanying government-wide financial statements include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads and facilities, to assess the overall health of the City.

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

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

## **Reporting the City's Major Funds**

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

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

## Reporting the City's Fiduciary Responsibilities

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1  
Net Position  
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 122.0	\$ 112.2	\$13.0	\$7.3	\$135.0	\$119.5
Capital Assets	298.7	296.0	44.2	43.7	342.9	339.7
Total Assets	420.7	408.2	57.2	51.0	477.9	459.2
Deferred Outflows of Resources	16.1	20.2	0.8	1.0	16.9	21.2
Long-Term Debt Outstanding	71.5	72.3	13.7	9.9	85.2	82.2
Other Liabilities	10.1	9.8	0.9	0.9	11.0	10.7
Total Liabilities	81.6	82.1	14.6	10.8	96.2	92.9
Deferred Inflows of Resources	1.4	1.5	0.1	0.1	1.5	1.6
Net Position						
Net Investment in						
Capital Assets	298.7	296.0	41.5	41.1	340.2	337.1
Restricted	15.2	12.9	-	-	15.2	12.9
Unrestricted	39.9	35.9	1.8	0.1	41.7	36.0
Total Net Position	\$ 353.8	\$ 344.8	\$ 43.3	\$ 41.2	\$ 397.1	\$ 386.0

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 \$397.1 million as of June 30, 2019.

The largest portion of the City's net position, \$340.2 million (85.7%) 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 14.3% of the City's net position, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position of \$15.2 million (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$41.7 million (10.5%) 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 \$11.2 million during the current fiscal year. The net position of governmental activities increased by \$9.0 million and business-type activities had a increase of \$2.2 million.

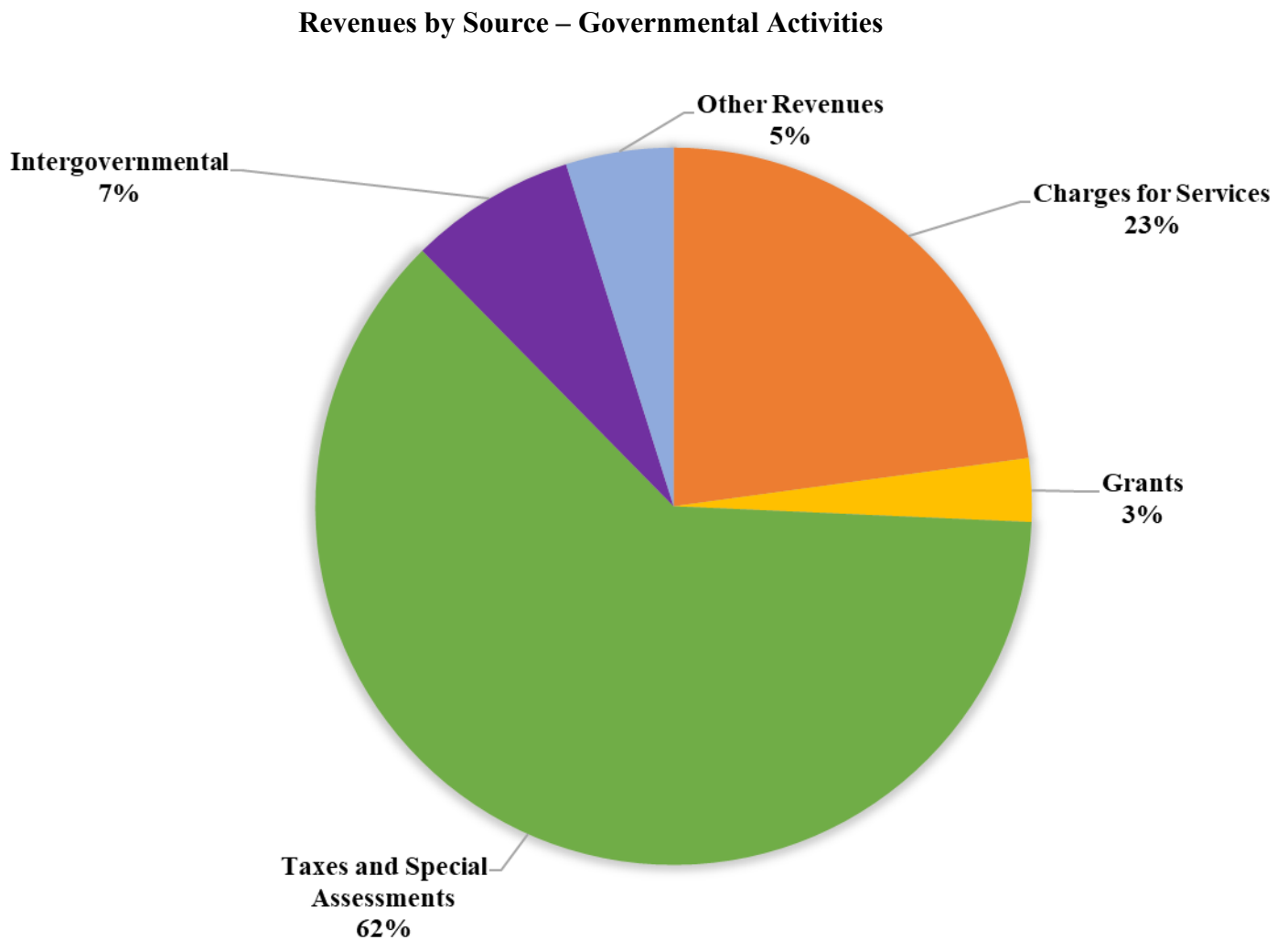
A summary of the government-wide statement of activities follows:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$20,899	\$20,073	\$8,654	\$8,339	\$29,553	\$28,412
Operating Grants/Contributions	2,092	2,154	2,588	2,579	4,680	4,733
Capital Grants/Contributions	519	14,385	-	-	519	14,385
General Revenues						
Taxes and special assessments	56,645	54,795	-	-	56,645	54,795
Intergovernmental	6,880	6,418	-	-	6,880	6,418
Rental income	-	-	-	-	-	-
Investment income	3,841	309	14	17	3,855	326
Miscellaneous revenues	500	284	2,414	75	2,914	359
Gain (loss) on sale/disposal of capital assets	99	127	12	15	111	142
Total Revenues	<u>91,475</u>	<u>98,545</u>	<u>13,682</u>	<u>11,025</u>	<u>105,157</u>	<u>109,570</u>
Expenses:						
General government	6,836	5,999			6,836	5,999
Community development	6,113	5,638			6,113	5,638
Public safety	38,130	34,699			38,130	34,699
Public works	24,793	25,566			24,793	25,566
Recreation and social services	5,984	5,838			5,984	5,838
Municipal transit	-	-	3,576	3,704	3,576	3,704
Sewer Service	-	-	8,542	8,381	8,542	8,381
Total Expenses	<u>81,856</u>	<u>77,740</u>	<u>12,118</u>	<u>12,085</u>	<u>93,974</u>	<u>89,825</u>
Increase (Decrease) in Net Position						
Before Transfers	9,619	20,805	1,564	(1,060)	11,183	19,745
Transfers	<u>(597)</u>	<u>(1,304)</u>	<u>597</u>	<u>1,304</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	9,022	19,501	2,161	244	11,183	19,745
Net Position-Beginning, as restated	<u>344,776</u>	<u>325,275</u>	<u>41,189</u>	<u>40,945</u>	<u>385,965</u>	<u>366,220</u>
Net Position-Ending	<u>\$353,798</u>	<u>\$344,776</u>	<u>\$43,350</u>	<u>\$41,189</u>	<u>\$397,148</u>	<u>\$385,965</u>

The City’s total revenues were \$105.2 million while the total expenditures were \$94.0 million. Property taxes were the City’s largest revenue source at \$40.7 million (38.7% of total revenues and 44.5% of governmental revenues). Transient occupancy taxes at \$14.7 million (13.9% of total revenues and 16.0% governmental revenues) and sales taxes, at \$6.6 million (6.3% of total revenues and 7.2% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes have increased approximately 5.5% due in part to higher than expected increases in supplemental property taxes. The City’s sales taxes increased by 7.6% and transient occupancy taxes stayed consistent over the prior fiscal year.

**Governmental activities.** The governmental activities’ increase in net position of \$9.0 million activity accounted for 80.7% of the total growth in net position for the City this past year.

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



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 59% of the cost of these activities.

Public safety expenses comprised the largest component of governmental activities, approximately 47% of the total cost of governmental activities this past year. Charges for services, operating and capital grants, and contributions offset 6% of the cost of providing these services.

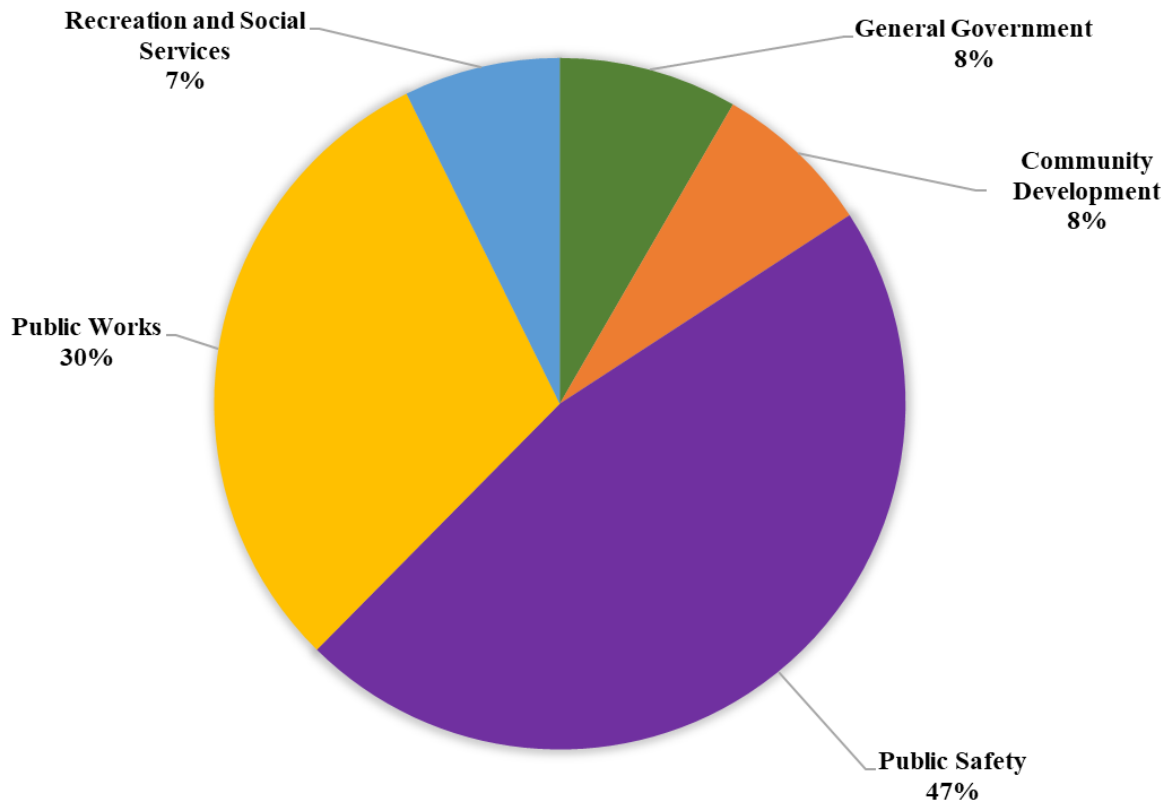


Public Works was the second largest governmental activity representing 30% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions helped to offset 48% of the cost of these activities.

Recreation and social services expenditures were 7% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions offset 73% 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 \$2.161 million. The expenses of the City’s business-type activity, the municipal transit system and sewer services, included costs incurred for capitalized assets that were funded by charges for services and operating and capital grants.

## 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, 2019, the governmental funds reported combined ending fund balances of \$89.1 million, an increase of \$7.9 million in comparison with the prior year. The City has \$4.8 million (5.4%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$12.9 million (14.5%) in restricted fund balance to indicate that it has an externally imposed restriction on the money may be spent; \$7.5 million (8.4%) in committed fund balance to indicate that the City Council committed how the money will be spent; \$36.4 million (40.9%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$27.5 million (30.9%) 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 \$5.9 million during the fiscal year ending June 30, 2019. In addition, reasons for changes in the revenues and expenditures of the City's General Fund from the prior year include:

- Revenues increased by \$5.1 million compared to the prior year. Of that amount, \$2.0 million was from an increase in property taxes, \$1.7 million was from the unrealized and realized gains from investments, and \$432 thousand was from an increase in sales tax revenue.
- Expenditures decreased \$1.7 million compared to the prior year primarily due to one-time transfers from the Transportation Improvement Fund in FY17-18 and less funds spent for Open Space acquisition and remediation in FY18-19.

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 \$1.7 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 increased by \$695 thousand due to the transfer in of funding from the Street Lighting Fund for the Woods Cove and Coast Highway utility undergrounding projects.

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

The unrestricted net position of the Municipal Transit Fund and Sewer Service Fund at the end of the fiscal year amounted to \$1.8 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGET**

Differences between the original budget and the final amended budget of the General Fund totaled \$18.4 million, and significant items can be briefly summarized as follows:

- \$9.8 million increase for carryover appropriations, items appropriated in a prior fiscal year that have not yet been spent.
- \$3.3 million for the California Climate Investment Grant to help reduce risk and damage from wildfires on Laguna Canyon Rd.
- \$1.3 million toward the implementation of a smart parking guidance system and annual maintenance.
- \$800 thousand toward information technology improvements and the IT Master Plan.
- \$450 thousand toward a reserve for expected future increases associated with the California Public Employees Retirement System (CalPERS).
- \$300 thousand as a transfer into the Open Space Fund.
- \$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 \$792 thousand above final budgeted revenues. However, its important to note that \$3.4 million of the General Fund revenues were carried over into FY 2019-20 of which \$3.2 million was for the California Climate Investment Grant. Separating these carryovers from the final budgeted revenues would then show a favorable variance of \$4.2 million. The favorable variance includes increases in investment earnings, property taxes, and business license taxes.
- Total expenditures were under the budgeted amount by \$17.3 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				
	2019	2018	2019	2018	2019	2018	
Land	\$ 90,448,672	89,620,039	196,106	196,106	90,644,778	89,816,145	
Buildings and Improvements	45,727,856	47,824,016	1,194,732	1,257,600	46,922,588	49,081,616	
Office Equipment & Machinery	1,943,110	2,269,980	233,037	40,142	2,176,147	2,310,122	
Furniture and Fixtures	1,898,463	1,739,366	40,402	43,123	1,938,865	1,782,489	
Equipment Machinery & Tools	2,589,769	2,744,004	630,641	244,913	3,220,410	2,988,917	
Sewer Plant and Lines		-	29,890,255	32,198,136	29,890,255	32,198,136	
Capacity Rights		-	7,500,575	6,090,441	7,500,575	6,090,441	
Automotive Equipment	4,138,801	4,062,246	2,847,088	3,293,961	6,985,889	7,356,207	
Infrastructure	132,024,461	135,734,951	-	-	132,024,461	135,734,951	
Construction in Progress	19,927,557	11,990,791	1,633,364	410,691	21,560,921	12,401,482	
<b>Total</b>	<b>\$ 298,698,689</b>	<b>295,985,393</b>	<b>44,166,200</b>	<b>43,775,113</b>	<b>342,864,889</b>	<b>339,760,506</b>	

The major changes to the capital assets during the year ended June 30, 2019, were construction of Phase II of the Village Entrance Project, property restoration of an uninhabited parcel at 1199 Lewellyn, storm drain extension on Dorn Court, and reconstruction of a deteriorated retaining wall at the end of Queda

Way. 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	
	2019	2018	2019	2018	2019	2018
Installment Agreement	\$ -	-	10,751,678	6,718,867	10,751,678	6,718,867
Total	\$ -	-	10,751,678	6,718,867	10,751,678	6,718,867

The City’s total debt increased by \$4.0 million (60%) 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**

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**CITY OF LAGUNA BEACH**

**Statement of Net Position**

**June 30, 2019**

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Water District
<b>ASSETS</b>				
Cash and investments	\$ 106,030,071	\$ 3,067,257	\$ 109,097,328	\$ 17,954,004
Cash with fiscal agent	60,453	-	60,453	-
Receivables:				
Taxes	6,101,631	78,366	6,179,997	51,059
Accounts	1,005,456	7,962	1,013,418	1,555,192
Interest	159,942	-	159,942	111,925
Intergovernmental	903,728	2,039,694	2,943,422	-
Ibank installment agreement	-	8,088,484	8,088,484	-
Notes	878,211	-	878,211	125,076
Internal balances	253,882	(253,882)	-	-
Prepays	4,761,483	-	4,761,483	129,729
Inventory	65,771	-	65,771	308,884
Computer loans to employees	-	-	-	3,914
Property for housing program	1,743,653	-	1,743,653	-
Capital assets, not being depreciated	110,376,229	1,829,470	112,205,699	5,365,435
Capital assets, being depreciated	188,322,460	42,336,730	230,659,190	49,075,877
Total Assets	<u>420,662,970</u>	<u>57,194,081</u>	<u>477,857,051</u>	<u>74,681,095</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pension plans	15,532,936	769,826	16,302,762	1,587,016
Deferred amounts related to OPEB	591,042	35,726	626,768	19,363
Total Deferred Outflows of Resources	<u>16,123,978</u>	<u>805,552</u>	<u>16,929,530</u>	<u>1,606,379</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	6,747,472	242,913	6,990,385	1,223,907
Deposits	43,239	-	43,239	39,560
Due to other government agencies	62,669	-	62,669	-
Unearned revenues	161,321	10,000	171,321	-
Interest payable	-	90,797	90,797	-
Noncurrent liabilities:				
Due within one year	3,081,034	604,951	3,685,985	711,150
Due in more than one year:				
Other long-term liabilities	8,516,656	10,231,585	18,748,241	893,451
Total OPEB liability	2,697,245	163,037	2,860,282	766,615
Net pension liability	60,287,721	3,241,762	63,529,483	5,832,256
Total Liabilities	<u>81,597,357</u>	<u>14,585,045</u>	<u>96,182,402</u>	<u>9,466,939</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pension plans	1,391,439	64,685	1,456,124	324,771
Deferred amounts related to OPEB plan	-	-	-	4,638
Total Deferred Inflows of Resources	<u>1,391,439</u>	<u>64,685</u>	<u>1,456,124</u>	<u>329,409</u>
<b>NET POSITION</b>				
Net investment in capital assets	298,698,689	41,503,006	340,201,695	53,201,312
Restricted for:				
Capital projects	1,653,076	-	1,653,076	-
Parking in-lieu	938	-	938	-
Park in-lieu	670,101	-	670,101	-
Art in-lieu	410,839	-	410,839	-
Drainage	77,233	-	77,233	-
Housing in-lieu	819,333	-	819,333	-
Transportation infrastructure	74,287	-	74,287	-
Street lighting district	9,526,194	-	9,526,194	-
Street projects	1,988,568	-	1,988,568	-
Public safety	1,261	-	1,261	-
Unrestricted	39,877,633	1,846,897	41,724,530	13,289,814
Total Net Position	<u>\$ 353,798,152</u>	<u>\$ 43,349,903</u>	<u>\$ 397,148,055</u>	<u>\$ 66,491,126</u>

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Statement of Activities**  
**Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ 6,835,988	\$ 1,239,001	\$ -	\$ -	\$ 1,239,001
Community development	6,112,595	3,622,776	772	-	3,623,548
Public safety	38,130,078	1,591,639	869,526	-	2,461,165
Public works	24,793,130	10,179,675	1,096,141	519,193	11,795,009
Recreation and social services	5,984,453	4,265,798	125,856	-	4,391,654
Total Governmental Activities	<u>81,856,244</u>	<u>20,898,889</u>	<u>2,092,295</u>	<u>519,193</u>	<u>23,510,377</u>
Business-type Activities:					
Municipal transit	3,576,268	265,158	2,587,941	-	2,853,099
Sewer service	8,542,329	8,388,932	-	-	8,388,932
Total Business-type Activities	<u>12,118,597</u>	<u>8,654,090</u>	<u>2,587,941</u>	<u>-</u>	<u>11,242,031</u>
Total Primary Government	<u>\$ 93,974,841</u>	<u>\$ 29,552,979</u>	<u>\$ 4,680,236</u>	<u>\$ 519,193</u>	<u>\$ 34,752,408</u>
<b>Component Unit:</b>					
Water District	<u>\$ 13,738,606</u>	<u>\$ 11,499,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,499,523</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

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
\$ (5,596,987)	\$ -	\$ (5,596,987)	\$ -
(2,489,047)	-	(2,489,047)	-
(35,668,913)	-	(35,668,913)	-
(12,998,121)	-	(12,998,121)	-
(1,592,799)	-	(1,592,799)	-
<u>(58,345,867)</u>	<u>-</u>	<u>(58,345,867)</u>	<u>-</u>
-	(723,169)	(723,169)	-
-	(153,397)	(153,397)	-
-	(876,566)	(876,566)	-
<u>(58,345,867)</u>	<u>(876,566)</u>	<u>(59,222,433)</u>	<u>-</u>
			<u>(2,239,083)</u>
14,649,273	-	14,649,273	-
40,678,746	-	40,678,746	3,165,705
1,220,532	-	1,220,532	-
96,467	-	96,467	-
297,842	-	297,842	-
6,581,928	-	6,581,928	-
3,841,077	14,099	3,855,176	787,168
99,675	11,854	111,529	-
500,233	2,413,672	2,913,905	-
<u>67,965,773</u>	<u>2,439,625</u>	<u>70,405,398</u>	<u>3,952,873</u>
<u>(597,350)</u>	<u>597,350</u>	<u>-</u>	<u>-</u>
9,022,556	2,160,409	11,182,965	1,713,790
<u>344,775,596</u>	<u>41,189,494</u>	<u>385,965,090</u>	<u>64,777,336</u>
<u>\$ 353,798,152</u>	<u>\$ 43,349,903</u>	<u>\$ 397,148,055</u>	<u>\$ 66,491,126</u>

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## **GOVERNMENTAL FUNDS**

### **MAJOR GOVERNMENTAL FUNDS**

#### **GENERAL FUND**

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

#### **CAPITAL PROJECTS FUNDS**

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

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

**ASSESSMENT DISTRICTS FUNDS** - Assessment District Funds are used to account for assessment district utility undergrounding projects which are funded by property owners.

### **NONMAJOR GOVERNMENTAL FUNDS**

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

**CITY OF LAGUNA BEACH**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2019**

	General	Capital Projects Assessment Districts
<b>ASSETS</b>		
Cash and investments	\$ 68,837,452	\$ 1,789,044
Cash with fiscal agent	-	60,453
Receivables:		
Taxes	6,095,410	-
Accounts	884,482	-
Interest	159,942	-
Intergovernmental	720,145	-
Notes	348,000	-
Prepays	2,430,764	-
Inventory	65,771	-
Due from other funds	253,882	-
Advances to other funds	-	-
	-	-
Total Assets	\$ 79,795,848	\$ 1,849,497
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 6,294,602	\$ 181,921
Deposits	28,739	14,500
Due to other governmental agencies	62,669	-
Unearned revenue	161,321	-
Advances from other funds	3,749,658	-
	10,296,989	196,421
Total Liabilities	10,296,989	196,421
Fund Balances:		
Nonspendable	2,496,535	-
Restricted	2,052,731	1,653,076
Committed	1,008,990	-
Assigned	36,410,273	-
Unassigned	27,530,330	-
	69,498,859	1,653,076
Total Fund Balances	69,498,859	1,653,076
Total Liabilities and Fund Balances	\$ 79,795,848	\$ 1,849,497

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 13,870,828	\$ 84,497,324
-	60,453
6,221	6,101,631
-	884,482
-	159,942
183,583	903,728
137,796	485,796
2,330,719	4,761,483
-	65,771
-	253,882
<u>1,500,000</u>	<u>1,500,000</u>
<u>\$ 18,029,147</u>	<u>\$ 99,674,492</u>

\$ 72,626	\$ 6,549,149
-	43,239
-	62,669
-	161,321
-	<u>3,749,658</u>
<u>72,626</u>	<u>10,566,036</u>

2,330,719	4,827,254
9,185,304	12,891,111
6,440,498	7,449,488
-	36,410,273
-	<u>27,530,330</u>
<u>17,956,521</u>	<u>89,108,456</u>
<u>\$ 18,029,147</u>	<u>\$ 99,674,492</u>

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**CITY OF LAGUNA BEACH**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2019**

Fund balances - total governmental funds	\$	89,108,456
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 \$4,106,716 of internal service fund net capital assets:		
Capital assets		418,504,484
Accumulated depreciation		(123,912,511)
Pension-related debt applicable to City governmental activities is not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position as the changes in these amounts effect only the government-wide statements for governmental activities:		
Net pension liability		(60,287,721)
Deferred outflows of resources related to pension		15,532,936
Deferred inflows of resources related to pension		(1,391,439)
OPEB-related debt applicable to City governmental activities is not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources related to pensions are only reported in the statement of net position as the changes in these amounts effect only the government-wide statements for governmental activities:		
Total OPEB liability		(2,697,245)
Deferred outflows of resources related to OPEB		591,042
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.		
		18,350,150
Net position of governmental activities	\$	353,798,152

**CITY OF LAGUNA BEACH**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2019**

	General	Capital Projects Assessment Districts
Revenues:		
Taxes	\$ 61,952,567	\$ -
Licenses and permits	1,401,562	-
Fines and penalties	959,270	-
Investment income, net	3,567,040	24,826
Rental	425,517	-
Intergovernmental	1,862,776	-
Charges for services	8,648,899	-
Parking meters, lots, and permits	8,065,075	-
Development tax	263,291	-
Contributions from property owners	30,000	-
Other	844,320	-
	<u>88,020,317</u>	<u>24,826</u>
Expenditures:		
Current:		
General government	6,425,030	-
Community development	5,884,065	-
Public safety	35,904,287	-
Public works	15,461,831	-
Recreation and social services	5,309,727	-
Capital outlay	10,921,375	199,488
	<u>79,906,315</u>	<u>199,488</u>
Total Expenditures		
	<u>79,906,315</u>	<u>199,488</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,114,002</u>	<u>(174,662)</u>
Other Financing Sources (Uses):		
Transfers in	-	869,813
Transfers out	(2,263,313)	-
	<u>(2,263,313)</u>	<u>869,813</u>
Total Other Financing Sources (Uses)		
	<u>(2,263,313)</u>	<u>869,813</u>
Net Change in Fund Balances	5,850,689	695,151
Fund Balances, Beginning of Year	<u>63,648,170</u>	<u>957,925</u>
Fund Balances, End of Year	<u>\$ 69,498,859</u>	<u>\$ 1,653,076</u>

See accompanying notes to basic financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,179,986	\$ 64,132,553
-	1,401,562
-	959,270
248,276	3,840,142
-	425,517
919,215	2,781,991
-	8,648,899
-	8,065,075
-	263,291
-	30,000
-	844,320
<u>3,347,477</u>	<u>91,392,620</u>
-	6,425,030
-	5,884,065
-	35,904,287
692,190	16,154,021
-	5,309,727
<u>1,266,388</u>	<u>12,387,251</u>
<u>1,958,578</u>	<u>82,064,381</u>
<u>1,388,899</u>	<u>9,328,239</u>
789,345	1,659,158
<u>(800,000)</u>	<u>(3,063,313)</u>
<u>(10,655)</u>	<u>(1,404,155)</u>
1,378,244	7,924,084
<u>16,578,277</u>	<u>81,184,372</u>
<u>\$ 17,956,521</u>	<u>\$ 89,108,456</u>

**CITY OF LAGUNA BEACH**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2019**

Net change in fund balances - total governmental funds \$ 7,924,084

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 \$688,940 in net additions and \$610,393 in depreciation expense:

Depreciation expense	(7,733,874)
Purchases of capital assets recorded in governmental funds	10,385,557
Loss on sale of capital assets	(16,933)

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.	(2,340,990)
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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.	(168,753)
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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.

968,465

Change in net position of governmental activities

\$ 9,022,556

## **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, 2019**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ -	\$ 3,067,257	\$ 3,067,257	\$ 21,532,747
Receivables:				
Taxes	-	78,366	78,366	-
Accounts	3,013	4,949	7,962	120,974
Intergovernmental	2,039,694	-	2,039,694	-
Total Current Assets	<u>2,042,707</u>	<u>3,150,572</u>	<u>5,193,279</u>	<u>21,653,721</u>
Noncurrent Assets:				
Ibank installment agreement	-	8,088,484	8,088,484	-
Advances to other funds	-	-	-	2,249,658
Notes receivable	-	-	-	392,415
Property for housing program	-	-	-	1,743,653
Capital assets, not being depreciated	196,106	1,633,364	1,829,470	-
Capital assets, net of depreciation	3,678,110	38,658,620	42,336,730	4,106,716
Total Noncurrent Assets	<u>3,874,216</u>	<u>48,380,468</u>	<u>52,254,684</u>	<u>8,492,442</u>
Total Assets	<u>5,916,923</u>	<u>51,531,040</u>	<u>57,447,963</u>	<u>30,146,163</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	119,114	650,712	769,826	-
Deferred amounts related to OPEB	6,268	29,458	35,726	-
Total Deferred Outflows of Resources	<u>125,382</u>	<u>680,170</u>	<u>805,552</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	128,624	114,289	242,913	198,323
Unearned revenue	10,000	-	10,000	-
Due to other funds	253,882	-	253,882	-
Interest payable	-	90,797	90,797	-
Compensated absences, due within one year	4,005	12,967	16,972	796,545
Insurance claims payable, due within one year	-	-	-	2,284,489
I Bank installment agreements, due within one year	-	587,979	587,979	-
Total Current Liabilities	<u>396,511</u>	<u>806,032</u>	<u>1,202,543</u>	<u>3,279,357</u>
Noncurrent Liabilities:				
Compensated absences	16,019	51,867	67,886	3,186,182
Insurance claims payable	-	-	-	5,330,474
I Bank installment agreements	-	10,163,699	10,163,699	-
Total OPEB liability	28,603	134,434	163,037	-
Net pension liability	474,239	2,767,523	3,241,762	-
Total Noncurrent Liabilities	<u>518,861</u>	<u>13,117,523</u>	<u>13,636,384</u>	<u>8,516,656</u>
Total Liabilities	<u>915,372</u>	<u>13,923,555</u>	<u>14,838,927</u>	<u>11,796,013</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	11,505	53,180	64,685	-
<b>NET POSITION</b>				
Net investment in capital assets	3,874,216	37,628,790	41,503,006	4,106,716
Unrestricted	1,241,212	605,685	1,846,897	14,243,434
Total Net Position	<u>\$ 5,115,428</u>	<u>\$ 38,234,475</u>	<u>\$ 43,349,903</u>	<u>\$ 18,350,150</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, 2019**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Operating Revenues:				
Passenger revenues	\$ 265,158	\$ -	\$ 265,158	\$ -
Vehicle rentals	-	-	-	1,670,172
Employee benefits charges	-	-	-	852,888
Insurance charges	-	-	-	9,702,601
Charges for services	-	8,388,932	8,388,932	-
Total Operating Revenues	<u>265,158</u>	<u>8,388,932</u>	<u>8,654,090</u>	<u>12,225,661</u>
Operating Expenses:				
Personnel services	2,189,696	1,734,742	3,924,438	-
Contractual services	238,273	3,342,408	3,580,681	-
Materials and supplies	513,696	1,225,911	1,739,607	-
Administration	340,905	12,306	353,211	120,744
Employee benefits	-	-	-	942,188
Insurance claims and premiums	-	-	-	10,474,206
Depreciation	293,698	2,021,372	2,315,070	610,393
Total Operating Expenses	<u>3,576,268</u>	<u>8,336,739</u>	<u>11,913,007</u>	<u>12,147,531</u>
Operating Income (Loss)	<u>(3,311,110)</u>	<u>52,193</u>	<u>(3,258,917)</u>	<u>78,130</u>
Nonoperating Revenues (Expenses):				
Investment income	-	14,099	14,099	935
Intergovernmental	2,587,941	-	2,587,941	-
Interest expense	-	(205,590)	(205,590)	-
Gain on disposal of capital assets	11,854	-	11,854	82,595
Other revenue	-	2,413,672	2,413,672	-
Total Nonoperating Revenues (Expenses)	<u>2,599,795</u>	<u>2,222,181</u>	<u>4,821,976</u>	<u>83,530</u>
Income (Loss) Before Transfers	<u>(711,315)</u>	<u>2,274,374</u>	<u>1,563,059</u>	<u>161,660</u>
Transfers:				
Transfers in	597,350	-	597,350	806,805
Total Transfers	<u>597,350</u>	<u>-</u>	<u>597,350</u>	<u>806,805</u>
Change in Net Position	(113,965)	2,274,374	2,160,409	968,465
Net Position, Beginning of Year	<u>5,229,393</u>	<u>35,960,101</u>	<u>41,189,494</u>	<u>17,381,685</u>
Net Position, End of Year	<u>\$ 5,115,428</u>	<u>\$ 38,234,475</u>	<u>\$ 43,349,903</u>	<u>\$ 18,350,150</u>

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2019**

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 271,584	\$ 8,378,538	\$ 8,650,122	\$ -
Cash received from user departments	-	-	-	13,474,793
Cash payments to suppliers for goods and services	(1,215,332)	(4,660,027)	(5,875,359)	(9,818,665)
Cash payments to employees for services	(2,163,353)	(1,625,198)	(3,788,551)	(939,697)
	<u>(3,107,101)</u>	<u>2,093,313</u>	<u>(1,013,788)</u>	<u>2,716,431</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>				
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating grant proceeds received	1,348,146	-	1,348,146	-
Cash received from insurance and settlements	-	2,413,672	2,413,672	-
Cash received from other funds	851,232	-	851,232	806,805
Cash received from operating grants - TDA	767,143	-	767,143	-
Cash received for payment on advance to other funds	-	-	-	742,850
Cash received from loan receivable	-	367,516	367,516	-
Cash received related to housing program	-	-	-	26,759
	<u>2,966,521</u>	<u>2,781,188</u>	<u>5,747,709</u>	<u>1,576,414</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>				
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of capital assets	(179,809)	(2,526,348)	(2,706,157)	(1,444,433)
Proceeds from sale of capital assets	11,854	-	11,854	82,595
Principal paid on long-term debt	-	(423,189)	(423,189)	-
Interest paid on long-term debt	-	(157,226)	(157,226)	-
	<u>(167,955)</u>	<u>(3,106,763)</u>	<u>(3,274,718)</u>	<u>(1,361,838)</u>
<b>Net Cash Used for Capital and Related Financing Activities</b>				
<b>Cash Flows from Investing Activities:</b>				
Interest received	-	14,099	14,099	935
	<u>-</u>	<u>14,099</u>	<u>14,099</u>	<u>935</u>
<b>Net Cash Provided by Investing Activities</b>				
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>				
	(308,535)	1,781,837	1,473,302	2,931,942
Cash and Cash Equivalents, Beginning of Year	<u>308,535</u>	<u>1,285,420</u>	<u>1,593,955</u>	<u>18,600,805</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 3,067,257</u>	<u>\$ 3,067,257</u>	<u>\$ 21,532,747</u>

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2019**  
**(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)	\$ (3,311,110)	\$ 52,193	\$ (3,258,917)	\$ 78,130
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	293,698	2,021,372	2,315,070	610,393
Changes in assets and deferred outflows of resources:				
(Increase) decrease in accounts receivable	6,060	(4,949)	1,111	1,249,132
(Increase) decrease in taxes receivable	-	(5,445)	(5,445)	-
(Increase) decrease in deferred outflows of resources related to pensions	55,146	220,585	275,731	-
(Increase) decrease in deferred outflows of resources related to OPEB	(6,268)	(29,458)	(35,726)	-
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in accounts payable and accrued liabilities	(122,458)	(79,402)	(201,860)	(116,514)
Increase (decrease) in unearned revenue	366	-	366	-
Increase (decrease) in compensated absences payabl	540	5,120	5,660	2,491
Increase (decrease) in insurance claims payable	-	-	-	892,799
Increase (decrease) in total OPEB liability	8,005	37,620	45,625	-
Increase (decrease) in net pension liability	(35,423)	(141,693)	(177,116)	-
Increase (decrease) in deferred inflows of resources related to pensions	4,343	17,370	21,713	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,107,101)</u>	<u>\$ 2,093,313</u>	<u>\$ (1,013,788)</u>	<u>\$ 2,716,431</u>

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH**  
**Agency Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2019**

**ASSETS**

Cash and investments	\$ 4,014,388
Investments with fiscal agent	538,711
Receivables:	
Taxes	10,810
Intergovernmental	<u>16</u>
 Total Assets	 <u><u>\$ 4,563,925</u></u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 91,514
Deposits	2,975,372
Due to bondholders	<u>1,497,039</u>
 Total Liabilities	 <u><u>\$ 4,563,925</u></u>



# CITY OF LAGUNA BEACH, CALIFORNIA

## Notes to Basic Financial Statements

June 30, 2019

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### ***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, 2019**

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***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, 2019**

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**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, 2019

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**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, 2019**

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***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, 2019 were as follows:

General Fund	\$	2,520,050
Assessment Districts Capital Projects Fund		290,700
Non-Major Governmental Funds		50,100
Municipal Transit Enterprise Fund		46,400
Sewer Service Enterprise Fund		97,400
Internal Service Funds		244,600
Total Encumbrances	\$	<u>3,249,250</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Notes to Basic Financial Statements**

**June 30, 2019**

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***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 \$5,000 are capitalized if they have an expected useful life of three 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, 2019**

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***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, 2019**

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***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 prepaid amounts and 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, 2019**

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***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 \$63,958,008 and the minimum reserve requirement was \$12,791,602. The City's General Fund (single fund, not combined) reported \$27,530,330 of unassigned fund balance as of June 30, 2019.

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, 2019**

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***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. The City has the following items that qualify for reporting in this category:

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

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

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

T. New GASB Pronouncements

**Current Year Standards**

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the City.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly 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 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- 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.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Notes to Basic Financial Statements**

**June 30, 2019**

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***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, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments - governmental activities	\$ 106,030,071
Cash with fiscal agent - governmental activities	60,453
Cash and investments - business-type activities	3,067,257

Statement of Fiduciary Assets and Liabilities:

Cash and investments	4,014,388
Investments with fiscal agent	538,711
Total cash and investments	<u>\$ 113,710,880</u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand (petty cash and change funds)	\$ 5,600
Deposits with financial institutions	11,665,988
Cash held by bond fiscal agent	91,939
Investments	101,440,128
Investments held by bond fiscal agent	507,225
Total cash and investments	<u>\$ 113,710,880</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Notes to Basic Financial Statements**

**June 30, 2019**

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

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

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

<u>Investment Types Authorized by State Law or the City's Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
Municipal Bonds**	5 years	25%	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	25%	None
Commercial Paper	270 days	25%	2%
Certificates of Deposit	5 years	25%	\$250,000
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.

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, 2019**

**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	\$ 16,712,593	\$ 16,367,024	\$ 33,362,748	\$ -	\$ 66,442,365
Municipal Bonds	830,000	3,938,714	-	533,993	5,302,707
Local Agency Investment Fund	13,575,416	-	-	-	13,575,416
Medium-Term Notes	3,495,280	4,522,950	5,103,510	-	13,121,740
Supranational	-	1,002,480	1,995,420	-	2,997,900
Held by Bond Fiscal Agent:					
Local Agency Investment Fund	507,225	-	-	-	507,225
Total	<u>\$ 35,120,514</u>	<u>\$ 25,831,168</u>	<u>\$ 40,461,678</u>	<u>\$ 533,993</u>	<u>\$ 101,947,353</u>

\* - City Council has approved the investment in the City of Laguna Beach assessment district debt/bonds in the amount of \$533,993, 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					Other	Not Rated	Total
			AAA	AA+	AA	AA-				
Federal Agency Securities	\$ 66,442,365	N/A	\$ -	\$ 66,442,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,442,365
Municipal Bonds	5,302,707	A*	-	-	257,338	4,511,376	-	-	533,993	5,302,707
Local Agency Investment Fund	13,575,416	N/A	-	-	-	-	-	-	13,575,416	13,575,416
Medium-Term Notes	13,121,740	A	998,810	-	-	3,523,030	7,567,010	1,032,890	-	13,121,740
Supranational	2,997,900	AA	2,997,900	-	-	-	-	-	-	2,997,900
Held by Bond Fiscal Agent:										
Local Agency Investment Fund	507,225	N/A	-	-	-	-	-	-	507,225	507,225
Total	<u>\$ 101,947,353</u>		<u>\$ 3,996,710</u>	<u>\$ 66,442,365</u>	<u>\$ 257,338</u>	<u>\$ 8,034,406</u>	<u>\$ 7,567,010</u>	<u>\$ 15,649,524</u>		<u>\$ 101,947,353</u>

N/A - Not applicable

The actual ratings for the "Other" category above are as follows:

Investment Type	A+	A2	AA2	AA3	A	A-	Total
Medium-Term Notes	<u>\$ 1,013,330</u>	<u>\$ 2,038,870</u>	<u>\$ 1,501,320</u>	<u>\$ 1,016,060</u>	<u>\$ 997,600</u>	<u>\$ 999,830</u>	<u>\$ 7,567,010</u>

\* City of Laguna Beach debt/bonds in the amount of \$533,993 are exempt from the minimum legal rating.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Notes to Basic Financial Statements**

**June 30, 2019**

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

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 2% limitation on the amount that can be invested in any one issuer of Commercial Paper or Medium Term Notes and a 5% limitation on the amount that can be invested in any one issuer of Municipal Bonds. The City has no investments in excess of these limitations.

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Farm Credit Bank	Federal Agency Securities	\$ 18,952,450
Federal Home Loan Bank	Federal Agency Securities	11,402,935
Federal National Mortgage Association	Federal Agency Securities	15,015,537
Federal Home Loan Mortgage Corporation	Federal Agency Securities	16,321,740

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.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**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 and is limited to the account balance. 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 Securities and Exchange Commission. 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 inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities through corroboration with market data (the market approach), and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2019:

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
Federal Agency Securities	\$ 66,442,365	\$ -	\$ 66,442,365	\$ -
Municipal Bonds	5,302,707	-	4,669,714	632,993
Medium-Term Notes	13,121,740	-	13,121,740	-
Supranational	2,997,900	-	2,997,900	-
Total Subject to Hierarchy	<u>87,864,712</u>	<u>\$ -</u>	<u>\$ 87,231,719</u>	<u>\$ 632,993</u>
Uncategorized (Not Subject to Hierarchy)				
Local Agency Investment Fund	13,575,416			
Held by Bond Fiscal Agent:				
Local Agency Investment Fund	507,225			
Total Investment Portfolio	<u>\$ 101,947,353</u>			



**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 3 - INTERFUND ACTIVITY**

Advances

Interfund balances at June 30, 2019 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	\$ 1,549,658
Internal Service Fund	General Fund	700,000
Nonmajor Governmental Funds	General Fund	1,500,000
		<u>\$ 3,749,658</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 2018-2019 was principal of \$742,850 and interest of \$114,227 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>
2019 - 2020	\$ 763,538
2020 - 2021	784,802
2021 - 2022	806,858
2022 - 2023	829,123
2023 - 2024	565,337
	<u>\$ 3,749,658</u>

Due to/from Other Funds

Amounts due to and from other funds represent amounts payable or receivable that are expected to be paid within one year, unless otherwise noted. Amounts due to/from other funds are summarized below:

<u>Due from Other Funds (Receivable)</u>	<u>Due to Other Funds (Payable)</u>	<u>Amount</u>
General Fund	Municipal Transit Enterprise Fund	<u>\$ 253,882</u>

The receivable of the General Fund from the Municipal Transit Enterprise Fund is for temporary deficit cash balances.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

Transfers

Interfund transfers at June 30, 2019 consisted of the following:

Transfer In	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds	
Assessment Districts Capital Projects Fund	\$ 69,813	\$ 800,000	\$ 869,813
Non-Major Governmental Funds	789,345	-	789,345
Municipal Transit Enterprise Fund	597,350	-	597,350
Internal Service Funds	806,805	-	806,805
	<u>\$ 2,263,313</u>	<u>\$ 800,000</u>	<u>\$ 3,063,313</u>

Transfers were used to:

1. Transfer from the General Fund to the Assessment District Capital Projects Fund in the amount of \$69,813 for expenditures related to the Crestview Improvement Projects.
2. Transfer from the General Fund to the Street Lighting Fund Special Revenue Nonmajor Fund in the amount of \$705,345 for expenditures related to the Utility Undergrounding Project.
3. Transfer from the General Fund to the Gas Tax Fund Special Revenue Nonmajor Fund in the amount of \$84,000 for expenditures related to supplemental funding for Street Slurry Seal and Rehabilitation.
4. Transfer from the General Fund to the Municipal Transit Fund in the amount of \$597,350 to cover the balance of operating and capital expenses not funded from grants and other revenues.
5. Transfer from the General Fund to the Internal Service Funds in the amount of \$306,805 to cover the increase in Compensated Absences and \$500,000 for future vehicle replacement.
6. Transfer from the Street Lighting District Special Revenue Nonmajor Fund to the Assessment District Capital Projects Fund in the amount of \$500,000 for expenditures to the Coast Highway Intersection Improvements Project and \$300,000 for expenditures related to the Woods Cove Improvements Project.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
<b>Governmental Activities</b>				
Capital assets, not depreciated:				
Land	\$ 89,620,039	\$ 828,633	\$ -	\$ 90,448,672
Construction in progress	11,990,791	8,709,467	(772,701)	19,927,557
Total capital assets, not depreciated	101,610,830	9,538,100	(772,701)	110,376,229
Capital assets, being depreciated:				
Buildings and improvements	75,194,333	105,475	-	75,299,808
Office equipment and machinery	5,222,865	239,964	-	5,462,829
Furniture and fixtures	2,248,582	200,127	-	2,448,709
Equipment, machinery, and tools	5,860,184	312,728	(18,307)	6,154,605
Automotive equipment	9,120,121	688,940	(585,109)	9,223,952
Infrastructure	217,882,668	761,864	-	218,644,532
Total capital assets, being depreciated	315,528,753	2,309,098	(603,416)	317,234,435
Less accumulated depreciation for:				
Buildings and improvements	(27,370,317)	(2,201,635)	-	(29,571,952)
Office equipment and machinery	(2,952,885)	(566,834)	-	(3,519,719)
Furniture and fixtures	(509,216)	(41,030)	-	(550,246)
Equipment, machinery, and tools	(3,116,180)	(450,030)	1,374	(3,564,836)
Automotive equipment	(5,057,875)	(612,385)	585,109	(5,085,151)
Infrastructure	(82,147,717)	(4,472,354)	-	(86,620,071)
Total accumulated depreciation	(121,154,190)	(8,344,268)	586,483	(128,911,975)
Total capital assets, being depreciated, net	194,374,563	(6,035,170)	(16,933)	188,322,460
Governmental Activities				
Capital Assets, net	\$ 295,985,393	\$ 3,502,930	\$ (789,634)	\$ 298,698,689

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
<u>Municipal Transit Enterprise Fund</u>				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Total capital assets, not depreciated	<u>196,106</u>	<u>-</u>	<u>-</u>	<u>196,106</u>
Capital assets, being depreciated:				
Buildings and improvements	1,948,393	-	-	1,948,393
Furniture and fixtures	1,500	-	-	1,500
Equipment, machinery, and tools	27,963	179,809	-	207,772
Automotive equipment	5,633,268	-	(454,178)	5,179,090
Total capital assets, being depreciated	<u>7,611,124</u>	<u>179,809</u>	<u>(454,178)</u>	<u>7,336,755</u>
Less accumulated depreciation for:				
Buildings and improvements	(690,793)	(62,868)	-	(753,661)
Equipment, machinery, and tools	(27,963)	(883)	-	(28,846)
Automotive equipment	(3,100,369)	(229,947)	454,178	(2,876,138)
Total accumulated depreciation	<u>(3,819,125)</u>	<u>(293,698)</u>	<u>454,178</u>	<u>(3,658,645)</u>
Total capital assets, being depreciated, net	<u>3,791,999</u>	<u>(113,889)</u>	<u>-</u>	<u>3,678,110</u>
Municipal Transit Enterprise Fund Capital Assets, net	<u>\$ 3,988,105</u>	<u>\$ (113,889)</u>	<u>\$ -</u>	<u>\$ 3,874,216</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
<b>Sewer Service Enterprise Fund</b>				
Capital assets, not depreciated:				
Construction in progress	\$ 410,691	\$ 1,679,427	\$ (456,754)	\$ 1,633,364
Total capital assets, not depreciated	<u>410,691</u>	<u>1,679,427</u>	<u>(456,754)</u>	<u>1,633,364</u>
Capital assets, being depreciated:				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	503,141	207,370	-	710,511
Furniture and fixtures	53,015	-	-	53,015
Equipment, machinery, and tools	494,401	249,384	-	743,785
Automotive equipment	1,515,511	-	-	1,515,511
Sewer plant and lines	53,475,436	-	(1,263,130)	52,212,306
Capacity rights	29,678,016	846,921	1,263,130	31,788,067
Total capital assets, being depreciated	<u>85,747,562</u>	<u>1,303,675</u>	<u>-</u>	<u>87,051,237</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,042)	-	-	(28,042)
Office equipment and machinery	(462,999)	(14,475)	-	(477,474)
Furniture and fixtures	(11,392)	(2,721)	-	(14,113)
Equipment, machinery, and tools	(249,488)	(42,582)	-	(292,070)
Automotive equipment	(754,449)	(216,926)	-	(971,375)
Sewer plant and lines	(21,277,300)	(1,044,751)	-	(22,322,051)
Capacity rights	(23,587,575)	(699,917)	-	(24,287,492)
Total accumulated depreciation	<u>(46,371,245)</u>	<u>(2,021,372)</u>	<u>-</u>	<u>(48,392,617)</u>
Total capital assets, being depreciated, net	<u>39,376,317</u>	<u>(717,697)</u>	<u>-</u>	<u>38,658,620</u>
<b>Sewer Service Enterprise Fund</b>				
Capital Assets, net	<u>\$ 39,787,008</u>	<u>\$ 961,730</u>	<u>\$ (456,754)</u>	<u>\$ 40,291,984</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
<b>Total Business-type Activities</b>				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	410,691	1,679,427	(456,754)	1,633,364
Total capital assets, not depreciated	606,797	1,679,427	(456,754)	1,829,470
Capital assets, being depreciated:				
Buildings and improvements	1,976,435	-	-	1,976,435
Office equipment and machinery	503,141	207,370	-	710,511
Furniture and fixtures	54,515	-	-	54,515
Equipment, machinery, and tools	522,364	429,193	-	951,557
Automotive equipment	7,148,779	-	(454,178)	6,694,601
Sewer plant and lines	53,475,436	-	(1,263,130)	52,212,306
Capacity rights	29,678,016	846,921	1,263,130	31,788,067
Total capital assets, being depreciated	93,358,686	1,483,484	(454,178)	94,387,992
Less accumulated depreciation for:				
Buildings and improvements	(718,835)	(62,868)	-	(781,703)
Office equipment and machinery	(462,999)	(14,475)	-	(477,474)
Furniture and fixtures	(11,392)	(2,721)	-	(14,113)
Equipment, machinery, and tools	(277,451)	(43,465)	-	(320,916)
Automotive equipment	(3,854,818)	(446,873)	454,178	(3,847,513)
Sewer plant and lines	(21,277,300)	(1,044,751)	-	(22,322,051)
Capacity rights	(23,587,575)	(699,917)	-	(24,287,492)
Total accumulated depreciation	(50,190,370)	(2,315,070)	454,178	(52,051,262)
Total capital assets, being depreciated, net	43,168,316	(831,586)	-	42,336,730
Business-type Activities				
Capital Assets, net	\$ 43,775,113	\$ 847,841	\$ (456,754)	\$ 44,166,200

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

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

General government	\$ 297,061
Community development	52,789
Public safety	918,659
Public works	5,852,888
Recreation and social services	612,478
Internal service funds	610,393
Total	<u>\$ 8,344,268</u>

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

Municipal transit	\$ 293,698
Sewer service	2,021,372
Total	<u>\$ 2,315,070</u>

**NOTE 5 - CONSTRUCTION COMMITMENTS**

As of June 30, 2019, 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	1,482,605	477,395
Temple Hills Pedestrian Improvements	718,100	200,629	517,471
South Main Beach Restroom Design	700,000	119,872	580,128
Riddle Field Park Renovation	672,400	19,574	652,826
Pearl Street Beach Access	808,400	388,113	420,287
Anita Beach Stairs Replacement	700,000	79,761	620,239
Recreation Building Renovation	1,040,112	906,857	133,255
Laguna Canyon Channel Rehabilitation	2,136,042	524,612	1,611,430
Creek Erosion Protection	1,249,000	235,760	1,013,240
Parks Rehabilitation-Moulton, Alta, Lang	3,536,900	1,784,914	1,751,986
DeWitt Property Habitat Restoration	560,000	447,299	112,701
Village Entrance Project	16,021,772	14,419,763	1,602,009
Roundabout Catalina/El Camino	300,000	293,912	6,088
Streets Slurry Seal FY18-19	1,025,000	958	1,024,042
Coast Highway Intersection Improvements	740,000	183,711	556,289
LCR Master Plan Utility Undergrounding	3,040,100	792,179	2,247,921
	<u>\$ 35,207,826</u>	<u>\$ 21,880,520</u>	<u>\$ 13,327,306</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Notes to Basic Financial Statements**

**June 30, 2019**

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***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 \$2,000,000. 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 \$7,614,963 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2019. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Beginning of year liability	\$ 6,722,164	\$ 6,824,969
Current year claims as changes in estimates	4,113,219	2,206,360
Claims payments	<u>(3,220,420)</u>	<u>(2,309,165)</u>
Insurance claims payable	<u>\$ 7,614,963</u>	<u>\$ 6,722,164</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, 2019**

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**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, 2019, special assessment debt outstanding was:

<u>District</u>	Principal Outstanding June 30, 2019
AD 09-1	\$ 4,580,000
RAD 12-1	630,000
AD 13-1	531,043
AD 13-6	380,000
RAD 14-3	974,204
AD 15-2	154,000
Total	<u>\$ 7,249,247</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, 2019, 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, 2022. Total expenditures under this lease were \$29,114 for the year ended June 30, 2019. The minimum future rental payments under this lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 32,304
2021	32,789
2022	33,281
Total	<u>\$ 98,374</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**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, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
<b>Governmental Activities:</b>						
Compensated absences	\$ 3,980,236	\$ 3,006,313	\$ (3,003,822)	\$ 3,982,727	\$ 796,545	\$ 3,186,182
Insurance claims payable	6,722,164	4,113,219	(3,220,420)	7,614,963	2,284,489	5,330,474
Total Governmental Activities	<u>\$ 10,702,400</u>	<u>\$ 7,119,532</u>	<u>\$ (6,224,242)</u>	<u>\$ 11,597,690</u>	<u>\$ 3,081,034</u>	<u>\$ 8,516,656</u>
<b>Business-type Activities:</b>						
Municipal Transit Fund:						
Compensated absences	19,484	19,715	(19,175)	20,024	4,005	16,019
Total Municipal Transit Fund	<u>19,484</u>	<u>19,715</u>	<u>(19,175)</u>	<u>20,024</u>	<u>4,005</u>	<u>16,019</u>
Sewer Service Fund:						
Compensated absences	59,714	111,839	(106,719)	64,834	12,967	51,867
<i>Direct borrowings and direct placements:</i>						
I-Bank installment agreement	2,718,867	-	(423,189)	2,295,678	434,742	1,860,936
I-Bank installment agreement	4,000,000	-	-	4,000,000	153,237	3,846,763
I-Bank installment agreement	-	4,456,000	-	4,456,000	-	4,456,000
Total Sewer Service Fund	<u>6,778,581</u>	<u>4,567,839</u>	<u>(529,908)</u>	<u>10,816,512</u>	<u>600,946</u>	<u>10,215,566</u>
Total Business-type Activities	<u>\$ 6,798,065</u>	<u>\$ 4,587,554</u>	<u>\$ (549,083)</u>	<u>\$ 10,836,536</u>	<u>\$ 604,951</u>	<u>\$ 10,231,585</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, 2019, 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, 2019, the outstanding principal amount was \$2,295,678. Total revenue available from the Sewer Service Fund for debt service is \$8,388,932 and total debt service, including interest, was \$491,637.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***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, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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>\$ 2,295,678</u>	<u>\$ 160,054</u>	<u>\$ 2,455,732</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, 2019, \$322,956 of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$3,677,044 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 commenced 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, 2019, the outstanding principal amount was \$4,000,000. Total revenue available from the Sewer Service Fund for debt service is \$8,388,932 and total debt service, including interest, was \$88,778.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**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, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	175,164	111,095	286,259
2025 - 2029	969,310	460,397	1,429,707
2030 - 2034	1,145,686	281,023	1,426,709
2035 - 2038	1,064,917	73,927	1,138,844
	<u>\$ 4,000,000</u>	<u>\$ 1,427,504</u>	<u>\$ 5,427,504</u>

I-Bank Installment Sale Agreement

The City entered into a twenty-year loan on June 5, 2019 from the I-Bank Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The maximum loan amount is \$4,456,000 and will be utilized for the City’s Coastal Treatment Plan Facility Improvements Project. The loan is secured by revenues generated by the Sewer Service Fund and bears interest at a rate of 3.45% 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 2039. As of June 30, 2019, none of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$4,456,000 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, 2020.

The City is not permitted prepay all or a portion of the outstanding principal until June 5, 2029, 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, 2019, the outstanding principal amount was \$4,456,000. Total revenue available from the Sewer Service Fund for debt service is \$8,388,932 and total debt service, including interest, was \$0.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
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***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, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2020	\$ -	\$ -	\$ -
2021	169,882	150,802	320,684
2022	175,743	144,839	320,582
2023	181,807	138,672	320,479
2024	188,079	132,291	320,370
2025 - 2029	1,042,320	557,772	1,600,092
2030 - 2034	1,234,962	361,808	1,596,770
2035 - 2039	1,463,207	129,624	1,592,831
	<u>\$ 4,456,000</u>	<u>\$ 1,615,808</u>	<u>\$ 6,071,808</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 2018-2019, age-adjusted premiums contributed by the City totaled \$133,701.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

Employees Covered

As of the June 30, 2019 measurement date, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	47
Active employees	<u>257</u>
Total	<u><u>304</u></u>

Total OPEB Liability

The City's total OPEB liability of \$2,860,282 was measured as of June 30, 2019, was determined by an actuarial valuation as of July 1, 2018, and is included in the government-wide financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Total OPEB liabilities	<u>\$ 2,697,245</u>	<u>\$ 163,037</u>	<u>\$ 2,860,282</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, 2018 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, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.13%
Inflation	3.00%
Projected Salary Increase	3.00%
Investment Rate of Return	(1) 5.90% for 2019 decreasing by decrements of 0.10% annually until the final rate of 5.00% in 2028 and later years
Healthcare Cost Trend Rates	
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, 2019**

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**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 3.13% and was determined using the Fidelity AA Municipal Bond 20-Year High Grade rate index as of June 30, 2019.

Changes in Total OPEB Liability

The change in the total OPEB liability is as follows:

	Increase (Decrease)
	<u>Total OPEB Liability</u>
<b>Balance at June 30, 2018 (Measurement Date)</b>	<u>\$ 2,059,862</u>
<b>Changes in the Year:</b>	
Service cost	121,627
Interest on the total OPEB liability	93,555
Differences between actual and expected experience	549,200
Changes in assumptions	169,739
Benefit payments	<u>(133,701)</u>
<b>Net Changes</b>	<u>800,420</u>
<b>Balance at June 30, 2019 (Measurement Date)</b>	<u><u>\$ 2,860,282</u></u>

Change of Assumptions

The discount rate was decreased from 3.62% for the measurement period ended June 30, 2018 to 3.13% for the measurement period ended June 30, 2019 to update the municipal bond rate. The inflation rate was reduced from 4.00% to 3.00% from the measurement period ended June 30, 2018 to June 30, 2019, respectively. The healthcare trend rate for the measurement date June 30, 2018 was 6% decreasing to 5% in 2017 and later years while the healthcare trend rate for the measurement date June 30, 2019 was 5.90% for 2019 decreasing by decrements of 0.10% annually until the final rate of 5.00% in 2028 and later years.

Change of Benefit Terms

There were no changes of benefit terms.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

Subsequent Events

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

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

The following presents the total OPEB liability of the City, calculated using the discount rate for the Plan, as well as what the City'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 (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	\$ 3,153,402	\$ 2,860,282	\$ 2,608,277

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 (4.90% decreasing to 4.00%)	Healthcare Cost Trend Rates (5.90% decreasing to 5.00%)	1% Increase (6.90% decreasing to 6.00%)
Total OPEB Liability	\$ 2,547,585	\$ 2,860,282	\$ 3,236,736



**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$307,353. At June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 478,790	\$ -
Change in assumptions	147,978	-
Total	\$ 626,768	\$ -

The differences between actual and expected experience and changes in assumptions are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with retiree health benefits through the plan. The above amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ 92,171
2021	92,171
2022	92,171
2023	92,171
2024	92,171
Thereafter	165,913

Payable to the OPEB Plan

At June 30, 2019, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 12 - FUND BALANCES**

Fund balances are classified as follows:

	General Fund*	Major Fund Assessment Districts Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ 65,771	\$ -	\$ -	\$ 65,771
Prepays	2,430,764	-	2,330,719	4,761,483
Total Nonspendable	<u>2,496,535</u>	<u>-</u>	<u>2,330,719</u>	<u>4,827,254</u>
<b>Restricted:</b>				
Parking in-lieu	938	-	-	938
Park in-lieu	670,101	-	-	670,101
Art in-lieu	410,839	-	-	410,839
Drainage	77,233	-	-	77,233
Housing in-lieu	819,333	-	-	819,333
Transportation infrastructure	74,287	-	-	74,287
Street lighting district	-	-	7,195,475	7,195,475
Gas tax	-	-	1,988,568	1,988,568
Public safety	-	-	1,261	1,261
Assessment district improvements	-	1,653,076	-	1,653,076
Total Restricted	<u>2,052,731</u>	<u>1,653,076</u>	<u>9,185,304</u>	<u>12,891,111</u>
<b>Committed:</b>				
Solid waste	214,339	-	-	214,339
Measure LL	794,651	-	-	794,651
Repair of public facilities and natural disaster	-	-	6,440,498	6,440,498
Total Committed	<u>1,008,990</u>	<u>-</u>	<u>6,440,498</u>	<u>7,449,488</u>
<b>Assigned:</b>				
Open space	772,673	-	-	772,673
Parking authority	11,069,846	-	-	11,069,846
Capital projects	24,567,754	-	-	24,567,754
Total Assigned	<u>36,410,273</u>	<u>-</u>	<u>-</u>	<u>36,410,273</u>
Unassigned <sup>+</sup>	<u>27,530,330</u>	<u>-</u>	<u>-</u>	<u>27,530,330</u>
Total Fund Balance	<u>\$ 69,498,859</u>	<u>\$ 1,653,076</u>	<u>\$ 17,956,521</u>	<u>\$ 89,108,456</u>

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

+See footnote 1P for the General Fund Balance Reserve Policy.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**Notes to Basic Financial Statements**

**June 30, 2019**

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**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, 2018, (the most recent information available), SOCWA had total assets and deferred outflows of resources of \$153,726,097, total liabilities and deferred inflows or resources of \$26,573,648, and total net position of \$127,152,449. 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 \$2,468,586 and \$846,924 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, 2019 is presented below:

	Safety Plan	Miscellaneous Plan	Total
Deferred Outflows - Pensions	\$ 10,347,086	\$ 5,955,676	\$ 16,302,762
Net Pension Liability	(36,684,879)	(26,844,604)	(63,529,483)
Deferred Inflows - Pensions	(880,874)	(575,250)	(1,456,124)
Pension Expense	6,365,941	5,117,460	11,483,401

***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. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty 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, 2019**

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

General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at the measurement date 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, 2019**

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**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, 2018 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	227
Inactive employees entitled to but not yet receiving benefits	152
Active employees	174
Total	<u>553</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, 2019**

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

General Information about the Pension Plans (Continued)

**Contributions (Continued)**

Contributions to the pension plans totaled \$5,107,904 for the Safety Plan and \$3,907,470 for the Miscellaneous Plan, including contributions by Safety Plans as follows, for the year ended June 30, 2019:

	<u>Safety</u>			
	<u>Police</u>	<u>Fire</u>	<u>Lifeguard</u>	<u>Total</u>
Contributions - employer	\$ 2,631,126	\$ 2,235,726	\$ 241,052	\$ 5,107,904

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, 2019, 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>\$ 36,684,879</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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	<u>Safety</u>
Proportion - June 30, 2017	0.62430%
Proportion - June 30, 2018	0.62522%
Change - Increase (Decrease)	<u>0.00092%</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following actuarial assumptions:

	Safety		
	Police	Fire	Lifeguard
Valuation Date	June 30, 2017	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation	2.50%	2.50%	2.50%
Salary Increases	(1)	(1)	(1)
Mortality Rate Table	(2)	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERSdemographic data from 1997 to 2015) that can be found on the CalPERS website.
- (3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.



**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**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, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

**Long-term Expected Rate of Return**

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 cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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

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

**Long-term Expected Rate of Return (Continued)**

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Rate of Return 1 - 10 Years (b)	Real Rate of Return 11+ Years (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, using the measurement date of June 30, 2018, was \$26,844,604. The changes in the Net Pension Liability for the Miscellaneous Plan follows:

<b>Miscellaneous Plan:</b>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at June 30, 2017 (Measurement Date)</b>	<u>\$ 111,892,532</u>	<u>\$ 83,276,767</u>	<u>\$ 28,615,765</u>
<b>Changes in the Year:</b>			
Service cost	2,510,806	-	2,510,806
Interest on the total pension liability	7,862,058	-	7,862,058
Differences between actual and expected experience	118,415	-	118,415
Changes in assumptions	(690,837)	-	(690,837)
Contribution - employer	-	3,774,012	(3,774,012)
Contribution - employee	-	1,091,222	(1,091,222)
Net investment income	-	7,082,777	(7,082,777)
Administrative expenses	-	(376,408)	376,408
Benefit payments, including refunds of employee contributions	(5,233,328)	(5,233,328)	-
<b>Net Changes</b>	<u>4,567,114</u>	<u>6,338,275</u>	<u>(1,771,161)</u>
<b>Balance at June 30, 2018 (Measurement Date)</b>	<u>\$ 116,459,646</u>	<u>\$ 89,615,042</u>	<u>\$ 26,844,604</u>

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**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, 2019, the City recognized pension expense of \$6,365,941 for the Safety Plan. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Pension contributions subsequent to measurement date	\$ 5,107,904	\$ -
Differences between actual contributions and proportionate share of contributions and changes in proportions	603,148	(392,257)
Net differences between projected and actual earnings on plan investments	248,374	-
Change in assumptions	3,599,426	(485,627)
Differences between expected and actual experience	788,234	(2,990)
Total	<u>\$ 10,347,086</u>	<u>\$ (880,874)</u>

The amount of \$5,107,904, 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, 2020. Differences between projected and actual investment earnings are amortized on a five-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
<u>                    </u>	<u>                    </u>
2020	\$ 3,363,166
2021	2,033,592
2022	(784,352)
2023	(254,098)
2024	-
Thereafter	-

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**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, 2019, the City recognized pension expense of \$5,117,460 for the Miscellaneous Plan. At June 30, 2019, 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	\$ 3,907,470	\$ -
Change in assumptions	1,877,889	(474,950)
Differences between expected and actual experience	81,410	(100,300)
Net differences between projected and actual earnings on plan investments	88,907	-
Total	<u>\$ 5,955,676</u>	<u>\$ (575,250)</u>

The amount of \$3,907,470, 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, 2020. 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
2020	\$ 2,578,018
2021	22,096
2022	(893,030)
2023	(234,128)
2024	-
Thereafter	-

**CITY OF LAGUNA BEACH, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**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	\$ 57,709,991	\$ 36,684,879	\$ 19,458,564
Miscellaneous Plan's net pension liability	\$ 41,858,491	\$ 26,844,604	\$ 14,377,399

**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, 2019, the City had no outstanding amount of contributions to the Safety or Miscellaneous pension plans required for the year ended June 30, 2019.

**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 Festival of Arts deposits in a fund they maintain. The money they deposit in this 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 \$17,003,918 with a cost of \$19,399,882 and accumulated depreciation of \$2,395,964. 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, 2019**

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**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 \$264,852.

**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	\$ 3,756,076
Less: Depreciation	<u>(293,698)</u>
Net Operating Costs	3,462,378
50% Limitation	1,731,189

TDA Financial Need Limitation:

Total Operating Costs		3,756,076
Depreciation	\$ (293,698)	
OCTA Operating Assistance	(376,277)	
Passenger Revenues	(134,794)	
Project "V" Grant	(671,486)	
Park and Ride	<u>(130,364)</u>	<u>(1,606,619)</u>
Financial Need		<u>2,149,457</u>
Lesser of "Financial Need" or "50% Limitation"		<u>\$ 1,731,189</u>
TDA Allocation		1,185,090
Under (Over) Allocation		546,099

For the year ended June 30, 2019, the City recognized \$1,185,090 of revenues pursuant to the TDA requirements, which was less than the limit of \$1,731,189. This amount, along with \$1,402,851 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, 2019**

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**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 \$530,211, for the year ended June 30, 2019. 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, 2019**

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***NOTE 19 - SUBSEQUENT EVENTS***

Events occurring after June 30, 2019, have been evaluated for possible adjustments to the financial statements or disclosure as of January 28, 2020, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

Fiscal year ended	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.38070%	0.37615%	0.38711%	0.38969%	0.36782%
Plan's proportionate share of the net pension liability	\$ 36,684,879	\$ 37,303,403	\$ 33,497,317	\$ 26,748,099	\$ 22,887,604
Plan's covered payroll	\$ 11,419,674	\$ 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	321.24%	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	75.26%	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 4,886,457	\$ 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%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 4,386,904	\$ 3,597,721	\$ 3,244,259	\$ 1,875,636	\$ 2,538,981
Contributions in relation to the actuarially determined contributions	<u>(5,107,904)</u>	<u>(4,639,721)</u>	<u>(4,445,511)</u>	<u>(4,132,300)</u>	<u>(2,538,981)</u>
Contribution deficiency (excess)	<u>\$ (721,000)</u>	<u>\$ (1,042,000)</u>	<u>\$ (1,201,252)</u>	<u>\$ (2,256,664)</u>	<u>\$ -</u>
Covered payroll	\$ 12,246,434	\$ 11,419,674	\$ 10,671,505	\$ 9,912,852	\$ 9,480,126
Contributions as a percentage of covered payroll	41.71%	40.63%	41.66%	41.69%	26.78%

**Notes to Schedule:**

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (3%@50), 55 years (3%@55), and 57 years (2.7%@57)\*\*
- (5) 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 five years are shown.

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

Fiscal Year Ended Measurement Period	<u>2019</u> June 30, 2018	<u>2018</u> June 30, 2017	<u>2017</u> June 30, 2016	<u>2016</u> June 30, 2015	<u>2015</u> June 30, 2014
<b>Total Pension Liability:</b>					
Service cost	\$ 2,510,806	\$ 2,418,551	\$ 2,020,384	\$ 1,936,830	\$ 2,113,319
Interest on total pension liability	7,862,058	7,557,389	7,292,385	6,979,652	6,610,117
Differences between actual and expected experience	118,415	(323,188)	(439,090)	61,932	-
Changes in assumptions	(690,837)	6,050,977	-	(1,636,454)	-
Benefit payments, including refunds of employee contributions	<u>(5,233,328)</u>	<u>(5,143,766)</u>	<u>(4,590,588)</u>	<u>(4,271,862)</u>	<u>(3,644,602)</u>
<b>Net Change in Total Pension Liability</b>	4,567,114	10,559,963	4,283,091	3,070,098	5,078,834
<b>Total Pension Liability - Beginning of Year</b>	<u>111,892,532</u>	<u>101,332,569</u>	<u>97,049,478</u>	<u>93,979,380</u>	<u>88,900,546</u>
<b>Total Pension Liability - End of Year (a)</b>	<u><u>\$ 116,459,646</u></u>	<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>
<b>Plan Fiduciary Net Position:</b>					
Contributions - employer	\$ 3,774,012	\$ 3,865,941	\$ 3,733,571	\$ 3,457,700	\$ 2,011,915
Contributions - employee	1,091,222	1,011,086	1,051,923	943,694	1,240,843
Net investment income	7,082,777	8,459,926	405,106	1,666,511	11,013,027
Administrative expenses	(376,408)	(111,020)	(45,489)	(84,037)	(83,334)
Benefit payments	<u>(5,233,328)</u>	<u>(5,143,766)</u>	<u>(4,590,588)</u>	<u>(4,271,862)</u>	<u>(3,644,602)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	6,338,275	8,082,167	554,523	1,712,006	10,537,849
<b>Plan Fiduciary Net Position - Beginning of Year</b>	<u>83,276,767</u>	<u>75,194,600</u>	<u>74,640,077</u>	<u>72,928,071</u>	<u>62,390,222</u>
<b>Plan Fiduciary Net Position - End of Year (b)</b>	<u><u>\$ 89,615,042</u></u>	<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>
<b>Net Pension Liability - Ending (a)-(b)</b>	<u><u>\$ 26,844,604</u></u>	<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	76.95%	74.43%	74.21%	76.91%	77.60%
Covered payroll	\$ 12,558,017	\$ 13,297,509	\$ 12,379,800	\$ 11,499,996	\$ 12,031,399
Net pension liability as percentage of covered payroll	213.76%	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%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 3,217,470	\$ 2,767,304	\$ 2,665,941	\$ 2,337,304	\$ 2,057,700
Contributions in relation to the actuarially determined contributions	<u>(3,907,470)</u>	<u>(3,767,304)</u>	<u>(3,865,941)</u>	<u>(3,737,304)</u>	<u>(3,457,700)</u>
Contribution deficiency (excess)	<u>\$ (690,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,200,000)</u>	<u>\$ (1,400,000)</u>	<u>\$ (1,400,000)</u>
Covered payroll	\$ 14,419,732	\$ 12,558,017	\$ 13,297,509	\$ 12,379,800	\$ 11,499,996
Contributions as a percentage of covered payroll	27.10%	30.00%	29.07%	30.19%	30.07%

**Notes to Schedule:**

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 55 years (2.5%@55) and 62 years (2%@62)\*\*

(5) 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 five years are shown.



**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>2019</u>	<u>2018</u>
Measurement date	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability:		
Service cost	\$ 121,627	\$ 72,904
Interest	93,555	72,208
Changes of assumptions	169,739	-
Differences between expected and actual experience	549,200	-
Benefit payments, including refunds of employee contributions	<u>(133,701)</u>	<u>(158,500)</u>
Net Change in Total OPEB Liability	800,420	(13,388)
Total OPEB Liability - Beginning of Year	<u>2,059,862</u>	<u>2,073,250</u>
Total OPEB Liability - End of Year (a)	<u><u>\$ 2,860,282</u></u>	<u><u>\$ 2,059,862</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered-employee payroll	\$ 31,151,981	\$ 29,131,464
Total OPEB liability as percentage of covered-employee payroll	9.18%	7.07%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

*June 30, 2018 to June 30, 2019:*

The discount rate was lowered from 3.62% to 3.13% from June 30, 2018 to June 30, 2019. The inflation rate was lowered from 4.00% to 3.00% from June 30, 2018 to June 30, 2019. The healthcare trend rate for June 30, 2018 was 6% decreasing to 5% in 2017 and later years. The healthcare trend rate for the June 30, 2019 was 5.9% for 2019 decreasing by decrements of 0.10% annually until the final rate of 5.00% in 2028 and later years.

\* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 35,992,000	\$ 37,015,000	\$ 38,335,908	\$ 1,320,908
Sales and use taxes	6,081,000	6,081,000	6,122,733	41,733
Transient lodging taxes	7,160,000	7,610,000	7,542,725	(67,275)
Franchise taxes	1,240,000	1,240,000	1,220,532	(19,468)
Business license taxes	900,000	900,000	1,002,074	102,074
Total Taxes	<u>51,373,000</u>	<u>52,846,000</u>	<u>54,223,972</u>	<u>1,377,972</u>
Licenses and permits:				
Construction permits	1,417,000	1,417,000	1,364,456	(52,544)
Other	29,200	29,200	37,106	7,906
Total Licenses and Permits	<u>1,446,200</u>	<u>1,446,200</u>	<u>1,401,562</u>	<u>(44,638)</u>
Fines and penalties	<u>38,000</u>	<u>38,000</u>	<u>23,469</u>	<u>(14,531)</u>
Investment income, net	<u>1,000,000</u>	<u>1,000,000</u>	<u>3,513,444</u>	<u>2,513,444</u>
Rental	<u>431,000</u>	<u>431,000</u>	<u>425,517</u>	<u>(5,483)</u>
Intergovernmental	<u>839,600</u>	<u>4,653,165</u>	<u>1,472,111</u>	<u>(3,181,054)</u>
Charges for services:				
Planning and zoning fees	1,900,000	1,900,000	1,751,805	(148,195)
Building department fees	356,000	356,000	341,547	(14,453)
Refuse service charges	2,195,000	2,195,000	2,168,439	(26,561)
Medical fees	103,000	103,000	96,506	(6,494)
Parks and recreation fees	1,247,000	3,647,000	3,577,476	(69,524)
Other	2,846,100	446,100	540,666	94,566
Total Charges for Services	<u>8,647,100</u>	<u>8,647,100</u>	<u>8,476,439</u>	<u>(170,661)</u>
Parking meters, lots, and permits	<u>1,500</u>	<u>1,500</u>	<u>773</u>	<u>(727)</u>
Other:				
Reimbursed expenditures	285,000	375,000	563,791	188,791
Miscellaneous	58,700	88,700	217,792	129,092
Total Other	<u>343,700</u>	<u>463,700</u>	<u>781,583</u>	<u>317,883</u>
Total Revenues	<u>64,120,100</u>	<u>69,526,665</u>	<u>70,318,870</u>	<u>792,205</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, 2019**  
**(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
General government:				
City Council	\$ 83,000	\$ 93,000	\$ 77,599	\$ 15,401
City Manager	929,300	961,300	884,090	77,210
City Clerk	448,500	461,700	428,828	32,872
City Treasurer	186,000	189,500	187,119	2,381
City Attorney	750,000	1,042,000	865,143	176,857
Administrative services	3,305,800	8,971,300	3,982,251	4,989,049
Total General Government	<u>5,702,600</u>	<u>11,718,800</u>	<u>6,425,030</u>	<u>5,293,770</u>
Community development	<u>5,879,800</u>	<u>6,579,500</u>	<u>5,884,065</u>	<u>695,435</u>
Public safety:				
Police protection	17,493,100	19,299,565	17,979,717	1,319,848
Fire protection	12,352,200	18,072,800	13,075,797	4,997,003
Marine safety	3,016,200	3,104,200	2,897,565	206,635
Total Public Safety	<u>32,861,500</u>	<u>40,476,565</u>	<u>33,953,079</u>	<u>6,523,486</u>
Public works	<u>12,367,900</u>	<u>14,069,100</u>	<u>11,764,868</u>	<u>2,304,232</u>
Recreation and social services	<u>5,346,100</u>	<u>6,756,100</u>	<u>5,252,146</u>	<u>1,503,954</u>
Capital outlay	<u>770,000</u>	<u>1,704,100</u>	<u>678,820</u>	<u>1,025,280</u>
Total Expenditures	<u>62,927,900</u>	<u>81,304,165</u>	<u>63,958,008</u>	<u>17,346,157</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,192,200</u>	<u>(11,777,500)</u>	<u>6,360,862</u>	<u>18,138,362</u>
Other Financing Sources (Uses):				
Transfers in	-	525,000	525,000	-
Transfers out	-	(300,000)	(606,805)	(306,805)
Total Other Financing Sources (Uses)	<u>-</u>	<u>225,000</u>	<u>(81,805)</u>	<u>(306,805)</u>
Net Change in Fund Balance	1,192,200	(11,552,500)	6,279,057	17,831,557
Fund Balance, Beginning of Year	<u>21,531,383</u>	<u>21,531,383</u>	<u>21,531,383</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 22,723,583</u>	<u>\$ 9,978,883</u>	<u>\$ 27,810,440</u>	<u>\$ 17,831,557</u>

(Continued)

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2019**  
**(Continued)**

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

	<b>General Fund</b>
<b>Revenues and Other Financing Sources</b>	
Revenues from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 70,318,870
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	2,501,576
Capital Improvement Fund	6,707,023
Parking Authority Fund	8,064,302
Parking In-Lieu Fund	18
Park In-Lieu Fund	142,080
Art In-Lieu Fund	106,540
Drainage Fund	6,361
Housing In-Lieu Fund	172,165
Transportation Infrastructure Fund	1,382
	\$ 88,020,317
Transfers In from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 525,000
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
Elimination of Transfers In within General Fund in accordance with GASB 54 consolidation	(825,000)
	\$ -
<b>Expenditures and Other Financing Uses</b>	
Expenditures from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 63,958,008
Expenditures 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	1,332,809
Open Space Fund	863,792
Capital Improvement Fund	3,201,572
Parking Authority Fund	10,492,553
Art In-Lieu Fund	57,581
	\$ 79,906,315
Transfers Out from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 606,805
Transfers Out of the funds below are not outflows 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:	
Measure LL Fund	69,813
Open Space Fund	-
Capital Improvement Fund	84,000
Parking Authority Fund	2,327,695
Elimination of Transfers Out within General Fund in accordance with GASB 54 consolidation	(825,000)
	\$ 2,263,313

See accompanying notes to basic financial statements.

**CITY OF LAGUNA BEACH, CALIFORNIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

***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, special revenue, and capital projects funds except for the Asset Forfeiture Nonmajor Special Revenue Fund and the following General Fund sub-funds: Parking In-Lieu, Housing 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 and capital project 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 \$18,376,265 were made in the General Fund.

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**SUPPLEMENTARY SCHEDULES**

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## **GENERAL FUND**

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

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Consolidating Balance Sheet by Sub-Fund**  
**June 30, 2019**

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
<b>ASSETS</b>					
Cash and investments	\$ 30,088,538	\$ 204,646	\$ 796,708	\$ 23,366,847	\$ 12,613,313
Receivables:					
Taxes	4,237,829	618,782	-	1,238,799	-
Accounts	672,876	-	-	62,405	149,201
Interest	159,942	-	-	-	-
Intergovernmental	329,480	-	-	390,665	-
Notes	-	-	-	-	-
Prepays	-	2,430,764	-	-	-
Inventory	65,771	-	-	-	-
Due from other funds	253,882	-	-	-	-
	<u>\$ 35,808,318</u>	<u>\$ 3,254,192</u>	<u>\$ 796,708</u>	<u>\$ 25,058,716</u>	<u>\$ 12,762,514</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,065,833	\$ 28,777	\$ 24,035	\$ 490,962	\$ 1,684,995
Deposits	28,739	-	-	-	-
Due to other governmental agencies	-	-	-	-	-
Unearned revenue	153,648	-	-	-	7,673
Advances from other funds	3,749,658	-	-	-	-
	<u>7,997,878</u>	<u>28,777</u>	<u>24,035</u>	<u>490,962</u>	<u>1,692,668</u>
Fund Balances:					
Nonspendable	65,771	2,430,764	-	-	-
Restricted	-	-	-	-	-
Committed	214,339	794,651	-	-	-
Assigned	-	-	772,673	24,567,754	11,069,846
Unassigned	27,530,330	-	-	-	-
	<u>27,810,440</u>	<u>3,225,415</u>	<u>772,673</u>	<u>24,567,754</u>	<u>11,069,846</u>
Total Fund Balances	<u>\$ 35,808,318</u>	<u>\$ 3,254,192</u>	<u>\$ 796,708</u>	<u>\$ 25,058,716</u>	<u>\$ 12,762,514</u>
Total Liabilities and Fund Balances	<u>\$ 35,808,318</u>	<u>\$ 3,254,192</u>	<u>\$ 796,708</u>	<u>\$ 25,058,716</u>	<u>\$ 12,762,514</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>
\$ 938	\$ 670,101	\$ 410,839	\$ 77,233	\$ 534,002	\$ 74,287	\$ 68,837,452
-	-	-	-	-	-	6,095,410
-	-	-	-	-	-	884,482
-	-	-	-	-	-	159,942
-	-	-	-	-	-	720,145
-	-	-	-	348,000	-	348,000
-	-	-	-	-	-	2,430,764
-	-	-	-	-	-	65,771
-	-	-	-	-	-	253,882
<u>\$ 938</u>	<u>\$ 670,101</u>	<u>\$ 410,839</u>	<u>\$ 77,233</u>	<u>\$ 882,002</u>	<u>\$ 74,287</u>	<u>\$ 79,795,848</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,294,602
-	-	-	-	-	-	28,739
-	-	-	-	62,669	-	62,669
-	-	-	-	-	-	161,321
-	-	-	-	-	-	3,749,658
-	-	-	-	62,669	-	10,296,989
-	-	-	-	-	-	2,496,535
938	670,101	410,839	77,233	819,333	74,287	2,052,731
-	-	-	-	-	-	1,008,990
-	-	-	-	-	-	36,410,273
-	-	-	-	-	-	27,530,330
<u>938</u>	<u>670,101</u>	<u>410,839</u>	<u>77,233</u>	<u>819,333</u>	<u>74,287</u>	<u>69,498,859</u>
<u>\$ 938</u>	<u>\$ 670,101</u>	<u>\$ 410,839</u>	<u>\$ 77,233</u>	<u>\$ 882,002</u>	<u>\$ 74,287</u>	<u>\$ 79,795,848</u>

**CITY OF LAGUNA BEACH**  
**General Fund**  
**Consolidating Schedule of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund**  
**Year Ended June 30, 2019**

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
<b>Revenues:</b>					
Taxes	\$ 54,223,972	\$ 2,482,736	\$ -	\$ 5,245,859	\$ -
Licenses and permits	1,401,562	-	-	-	-
Fines and penalties	23,469	-	-	935,801	-
Investment income, net	3,513,444	18,840	-	3,887	-
Rental	425,517	-	-	-	-
Intergovernmental	1,472,111	-	-	390,665	-
Charges for services	8,476,439	-	-	4,258	-
Parking meters, lots, and permits	773	-	-	-	8,064,302
Development tax	-	-	-	96,467	-
Contributions from property owners	-	-	-	30,000	-
Other	781,583	-	-	86	-
<b>Total Revenues</b>	<b>70,318,870</b>	<b>2,501,576</b>	<b>-</b>	<b>6,707,023</b>	<b>8,064,302</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	6,425,030	-	-	-	-
Community development	5,884,065	-	-	-	-
Public safety	33,953,079	983,429	-	-	967,779
Public works	11,764,868	349,380	-	21,996	3,325,587
Recreation and social services	5,252,146	-	-	-	-
Capital outlay	678,820	-	863,792	3,179,576	6,199,187
<b>Total Expenditures</b>	<b>63,958,008</b>	<b>1,332,809</b>	<b>863,792</b>	<b>3,201,572</b>	<b>10,492,553</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>6,360,862</b>	<b>1,168,767</b>	<b>(863,792)</b>	<b>3,505,451</b>	<b>(2,428,251)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	525,000	-	300,000	-	-
Transfers out	(606,805)	(69,813)	-	(84,000)	(2,327,695)
<b>Total Other Financing Sources (Uses)</b>	<b>(81,805)</b>	<b>(69,813)</b>	<b>300,000</b>	<b>(84,000)</b>	<b>(2,327,695)</b>
<b>Net Change in Fund Balances</b>	<b>6,279,057</b>	<b>1,098,954</b>	<b>(563,792)</b>	<b>3,421,451</b>	<b>(4,755,946)</b>
<b>Fund Balances, Beginning of Year</b>	<b>21,531,383</b>	<b>2,126,461</b>	<b>1,336,465</b>	<b>21,146,303</b>	<b>15,825,792</b>
<b>Fund Balances, End of Year</b>	<b>\$ 27,810,440</b>	<b>\$ 3,225,415</b>	<b>\$ 772,673</b>	<b>\$ 24,567,754</b>	<b>\$ 11,069,846</b>

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,952,567
-	-	-	-	-	-	-	1,401,562
-	-	-	-	-	-	-	959,270
18	11,653	7,492	1,370	8,954	1,382	-	3,567,040
-	-	-	-	-	-	-	425,517
-	-	-	-	-	-	-	1,862,776
-	-	-	4,991	163,211	-	-	8,648,899
-	-	-	-	-	-	-	8,065,075
-	130,427	36,397	-	-	-	-	263,291
-	-	-	-	-	-	-	30,000
-	-	62,651	-	-	-	-	844,320
<u>18</u>	<u>142,080</u>	<u>106,540</u>	<u>6,361</u>	<u>172,165</u>	<u>1,382</u>	<u>-</u>	<u>88,020,317</u>
-	-	-	-	-	-	-	6,425,030
-	-	-	-	-	-	-	5,884,065
-	-	-	-	-	-	-	35,904,287
-	-	-	-	-	-	-	15,461,831
-	-	57,581	-	-	-	-	5,309,727
-	-	-	-	-	-	-	10,921,375
-	-	57,581	-	-	-	-	79,906,315
<u>18</u>	<u>142,080</u>	<u>48,959</u>	<u>6,361</u>	<u>172,165</u>	<u>1,382</u>	<u>-</u>	<u>8,114,002</u>
-	-	-	-	-	-	(825,000)	-
-	-	-	-	-	-	825,000	(2,263,313)
-	-	-	-	-	-	-	(2,263,313)
18	142,080	48,959	6,361	172,165	1,382	-	5,850,689
920	528,021	361,880	70,872	647,168	72,905	-	63,648,170
<u>\$ 938</u>	<u>\$ 670,101</u>	<u>\$ 410,839</u>	<u>\$ 77,233</u>	<u>\$ 819,333</u>	<u>\$ 74,287</u>	<u>\$ -</u>	<u>\$ 69,498,859</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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 2,288,000	\$ 2,482,736	\$ 194,736
Investment income, net	-	18,840	18,840
Total Revenues	<u>2,288,000</u>	<u>2,501,576</u>	<u>213,576</u>
Expenditures:			
Current:			
Public safety	1,017,000	983,429	33,571
Public works	1,410,100	349,380	1,060,720
Total Expenditures	<u>2,427,100</u>	<u>1,332,809</u>	<u>1,094,291</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(139,100)</u>	<u>1,168,767</u>	<u>1,307,867</u>
Other Financing Uses:			
Transfers out	(69,813)	(69,813)	-
Total Other Financing Uses	<u>(69,813)</u>	<u>(69,813)</u>	<u>-</u>
Net Change in Fund Balance	(208,913)	1,098,954	1,307,867
Fund Balance, Beginning of Year	<u>2,126,461</u>	<u>2,126,461</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,917,548</u>	<u>\$ 3,225,415</u>	<u>\$ 1,307,867</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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Capital outlay	1,304,700	863,792	440,908
Total Expenditures	1,304,700	863,792	440,908
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,304,700)	(863,792)	440,908
Other Financing Sources:			
Transfers in	300,000	300,000	-
Total Other Financing Sources	300,000	300,000	-
Net Change in Fund Balance	(1,004,700)	(563,792)	440,908
Fund Balance, Beginning of Year	1,336,465	1,336,465	-
Fund Balance, End of Year	\$ 331,765	\$ 772,673	\$ 440,908

**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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 5,465,000	\$ 5,245,859	\$ (219,141)
Fines and penalties	1,033,000	935,801	(97,199)
Investment income, net	-	3,887	3,887
Intergovernmental	505,000	390,665	(114,335)
Charges for services	1,000	4,258	3,258
Development tax	150,000	96,467	(53,533)
Contributions from property owners	30,000	30,000	-
Other	-	86	86
Total Revenues	<u>7,184,000</u>	<u>6,707,023</u>	<u>(476,977)</u>
Expenditures:			
Current:			
Public works	42,700	21,996	20,704
Capital outlay	<u>27,744,000</u>	<u>3,179,576</u>	<u>24,564,424</u>
Total Expenditures	<u>27,786,700</u>	<u>3,201,572</u>	<u>24,585,128</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,602,700)</u>	<u>3,505,451</u>	<u>24,108,151</u>
Other Financing Uses:			
Transfers out	<u>(84,000)</u>	<u>(84,000)</u>	<u>-</u>
Total Other Financing Uses	<u>(84,000)</u>	<u>(84,000)</u>	<u>-</u>
Net Change in Fund Balance	(20,686,700)	3,421,451	24,108,151
Fund Balance, Beginning of Year	<u>21,146,303</u>	<u>21,146,303</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 459,603</u>	<u>\$ 24,567,754</u>	<u>\$ 24,108,151</u>



**CITY OF LAGUNA BEACH**  
**General Fund Sub-Fund**  
**Parking Authority Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Parking meters, lots, and permits	\$ 7,673,000	\$ 8,064,302	\$ 391,302
Total Revenues	<u>7,673,000</u>	<u>8,064,302</u>	<u>391,302</u>
Expenditures:			
Current:			
Public safety	1,130,500	967,779	162,721
Public works	4,068,729	3,325,587	743,142
Capital outlay	<u>12,461,094</u>	<u>6,199,187</u>	<u>6,261,907</u>
Total Expenditures	<u>17,660,323</u>	<u>10,492,553</u>	<u>7,167,770</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,987,323)</u>	<u>(2,428,251)</u>	<u>7,559,072</u>
Other Financing Uses:			
Transfers out	<u>(2,887,045)</u>	<u>(2,327,695)</u>	<u>559,350</u>
Total Other Financing Uses	<u>(2,887,045)</u>	<u>(2,327,695)</u>	<u>559,350</u>
Net Change in Fund Balance	(12,874,368)	(4,755,946)	8,118,422
Fund Balance, Beginning of Year	<u>15,825,792</u>	<u>15,825,792</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,951,424</u>	<u>\$ 11,069,846</u>	<u>\$ 8,118,422</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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 11,653	\$ 11,653
Development tax	-	130,427	130,427
Total Revenues	<u>-</u>	<u>142,080</u>	<u>142,080</u>
Expenditures:			
Capital outlay	501,300	-	501,300
Total Expenditures	<u>501,300</u>	<u>-</u>	<u>501,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(501,300)</u>	<u>142,080</u>	<u>643,380</u>
Fund Balance, Beginning of Year	<u>528,021</u>	<u>528,021</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 26,721</u>	<u>\$ 670,101</u>	<u>\$ 643,380</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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 7,492	\$ 7,492
Development tax	-	36,397	36,397
Other	50,000	62,651	12,651
	<u>50,000</u>	<u>106,540</u>	<u>56,540</u>
Total Revenues	<u>50,000</u>	<u>106,540</u>	<u>56,540</u>
Expenditures:			
Current:			
Recreation and social services	315,300	57,581	257,719
	<u>315,300</u>	<u>57,581</u>	<u>257,719</u>
Total Expenditures	<u>315,300</u>	<u>57,581</u>	<u>257,719</u>
Net Change in Fund Balance	(265,300)	48,959	314,259
Fund Balance, Beginning of Year	<u>361,880</u>	<u>361,880</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 96,580</u>	<u>\$ 410,839</u>	<u>\$ 314,259</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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 15,000	\$ 1,382	\$ (13,618)
Total Revenues	<u>15,000</u>	<u>1,382</u>	<u>(13,618)</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	15,000	1,382	(13,618)
Fund Balance, Beginning of Year	<u>72,905</u>	<u>72,905</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 87,905</u>	<u>\$ 74,287</u>	<u>\$ (13,618)</u>

## **MAJOR CAPITAL PROJECTS FUND**

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

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

### **Assessment District**

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

**CITY OF LAGUNA BEACH**  
**Major Capital Projects Fund**  
**Assessment Districts Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 24,826	\$ 24,826
Total Revenues	<u>-</u>	<u>24,826</u>	<u>24,826</u>
Expenditures:			
Capital outlay	2,473,213	199,488	2,273,725
Total Expenditures	<u>2,473,213</u>	<u>199,488</u>	<u>2,273,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,473,213)</u>	<u>(174,662)</u>	<u>2,298,551</u>
Other Financing Sources:			
Transfers in	869,813	869,813	-
Total Other Financing Sources	<u>869,813</u>	<u>869,813</u>	<u>-</u>
Net Change in Fund Balance	(1,603,400)	695,151	2,298,551
Fund Balance, Beginning of Year	<u>957,925</u>	<u>957,925</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (645,475)</u></u>	<u><u>\$ 1,653,076</u></u>	<u><u>\$ 2,298,551</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, 2019**

		Special Revenue Funds		
		Gas Tax	Street Lighting District	Asset Forfeiture
<b>ASSETS</b>				
Cash and investments		\$ 1,812,105	\$ 5,616,964	\$ 1,261
Receivables:				
Taxes		-	6,221	-
Intergovernmental		183,583	-	-
Notes		-	137,796	-
Prepays		-	2,330,719	-
Advances to other funds		-	1,500,000	-
		\$ 1,995,688	\$ 9,591,700	\$ 1,261
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities		\$ 7,120	\$ 65,506	\$ -
		7,120	65,506	-
Fund Balances:				
Nonspendable		-	2,330,719	-
Restricted		1,988,568	7,195,475	1,261
Committed		-	-	-
		1,988,568	9,526,194	1,261
Total Liabilities and Fund Balances		\$ 1,995,688	\$ 9,591,700	\$ 1,261



Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
Disaster Contingency	
\$ 6,440,498	\$ 13,870,828
-	6,221
-	183,583
-	137,796
-	2,330,719
-	1,500,000
<u>\$ 6,440,498</u>	<u>\$ 18,029,147</u>
<u>\$ -</u>	<u>\$ 72,626</u>
<u>-</u>	<u>72,626</u>
-	2,330,719
-	9,185,304
<u>6,440,498</u>	<u>6,440,498</u>
<u>6,440,498</u>	<u>17,956,521</u>
<u>\$ 6,440,498</u>	<u>\$ 18,029,147</u>

**CITY OF LAGUNA BEACH**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2019**

	Special Revenue Funds		
	Gas Tax	Street Lighting District	Asset Forfeiture
Revenues:			
Taxes	\$ 459,195	\$ 1,720,791	\$ -
Investment income, net	28,215	100,236	23
Intergovernmental	912,897	6,318	-
Total Revenues	<u>1,400,307</u>	<u>1,827,345</u>	<u>23</u>
Expenditures:			
Current:			
Public works	-	692,190	-
Capital outlay	1,153,361	113,027	-
Total Expenditures	<u>1,153,361</u>	<u>805,217</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>246,946</u>	<u>1,022,128</u>	<u>23</u>
Other Financing Sources (Uses):			
Transfers in	84,000	705,345	-
Transfers out	-	(800,000)	-
Total Other Financing Sources (Uses)	<u>84,000</u>	<u>(94,655)</u>	<u>-</u>
Net Change in Fund Balances	330,946	927,473	23
Fund Balances, Beginning of Year	<u>1,657,622</u>	<u>8,598,721</u>	<u>1,238</u>
Fund Balances, End of Year	<u>\$ 1,988,568</u>	<u>\$ 9,526,194</u>	<u>\$ 1,261</u>

Special Revenue Funds (Continued)	Total Nonmajor Governmental Funds
Disaster Contingency	
\$ -	\$ 2,179,986
119,802	248,276
-	919,215
<u>119,802</u>	<u>3,347,477</u>
-	692,190
<u>-</u>	<u>1,266,388</u>
-	1,958,578
<u>119,802</u>	<u>1,388,899</u>
-	789,345
<u>-</u>	<u>(800,000)</u>
-	(10,655)
119,802	1,378,244
<u>6,320,696</u>	<u>16,578,277</u>
<u>\$ 6,440,498</u>	<u>\$ 17,956,521</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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 422,000	\$ 459,195	\$ 37,195
Investment income, net	10,000	28,215	18,215
Intergovernmental	924,000	912,897	(11,103)
Other	10,000	-	(10,000)
Total Revenues	<u>1,366,000</u>	<u>1,400,307</u>	<u>34,307</u>
Expenditures:			
Capital outlay	<u>3,497,500</u>	<u>1,153,361</u>	<u>2,344,139</u>
Total Expenditures	<u>3,497,500</u>	<u>1,153,361</u>	<u>2,344,139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,131,500)</u>	<u>246,946</u>	<u>2,378,446</u>
Other Financing Sources:			
Transfers in	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Total Other Financing Sources	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Net Change in Fund Balance	(2,047,500)	330,946	2,378,446
Fund Balance, Beginning of Year	<u>1,657,622</u>	<u>1,657,622</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (389,878)</u>	<u>\$ 1,988,568</u>	<u>\$ 2,378,446</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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 1,548,000	\$ 1,720,791	\$ 172,791
Investment income, net	-	100,236	100,236
Intergovernmental	4,000	6,318	2,318
<b>Total Revenues</b>	<b>1,552,000</b>	<b>1,827,345</b>	<b>275,345</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public works	3,235,545	692,190	2,543,355
Capital outlay	3,572,900	113,027	3,459,873
<b>Total Expenditures</b>	<b>6,808,445</b>	<b>805,217</b>	<b>6,003,228</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(5,256,445)</b>	<b>1,022,128</b>	<b>6,278,573</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	700,000	705,345	5,345
Transfers out	(800,000)	(800,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(100,000)</b>	<b>(94,655)</b>	<b>5,345</b>
<b>Net Change in Fund Balance</b>	<b>(5,356,445)</b>	<b>927,473</b>	<b>6,283,918</b>
<b>Fund Balance, Beginning of Year</b>	<b>8,598,721</b>	<b>8,598,721</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 3,242,276</b>	<b>\$ 9,526,194</b>	<b>\$ 6,283,918</b>

**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, 2019**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 60,000	\$ 119,802	\$ 59,802
Total Revenues	<u>60,000</u>	<u>119,802</u>	<u>59,802</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	60,000	119,802	59,802
Fund Balance, Beginning of Year	<u>6,320,696</u>	<u>6,320,696</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,380,696</u>	<u>\$ 6,440,498</u>	<u>\$ 59,802</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, 2019**

	Insurance and Employee Benefits	Vehicle Replacement	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 12,279,352	\$ 9,253,395	\$ 21,532,747
Receivables:			
Accounts	120,974	-	120,974
Total Current Assets	12,400,326	9,253,395	21,653,721
Noncurrent Assets:			
Advances to other funds	1,549,658	700,000	2,249,658
Notes receivable	-	392,415	392,415
Property for housing program	1,743,653	-	1,743,653
Capital assets, net of depreciation	-	4,106,716	4,106,716
Total Noncurrent Assets	3,293,311	5,199,131	8,492,442
Total Assets	15,693,637	14,452,526	30,146,163
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	193,997	4,326	198,323
Compensated absences, due within one year	796,545	-	796,545
Insurance claims payable, due within one year	2,284,489	-	2,284,489
Total Current Liabilities	3,275,031	4,326	3,279,357
Noncurrent Liabilities:			
Compensated absences	3,186,182	-	3,186,182
Insurance claims payable	5,330,474	-	5,330,474
Total Noncurrent Liabilities	8,516,656	-	8,516,656
Total Liabilities	11,791,687	4,326	11,796,013
<b>NET POSITION</b>			
Net investment in capital assets	-	4,106,716	4,106,716
Unrestricted	3,901,950	10,341,484	14,243,434
Total Net Position	\$ 3,901,950	\$ 14,448,200	\$ 18,350,150



**CITY OF LAGUNA BEACH**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year Ended June 30, 2019**

	Insurance and Employee Benefits	Vehicle Replacement	Total
Operating Revenues:			
Vehicle rentals	\$ -	\$ 1,670,172	\$ 1,670,172
Employee benefits charges	852,888	-	852,888
Insurance charges	9,702,601	-	9,702,601
Total Operating Revenues	<u>10,555,489</u>	<u>1,670,172</u>	<u>12,225,661</u>
Operating Expenses:			
Administration	120,744	-	120,744
Employee benefits	942,188	-	942,188
Insurance claims and premiums	10,474,206	-	10,474,206
Depreciation	-	610,393	610,393
Total Operating Expenses	<u>11,537,138</u>	<u>610,393</u>	<u>12,147,531</u>
Operating Income (Loss)	<u>(981,649)</u>	<u>1,059,779</u>	<u>78,130</u>
Nonoperating Revenues:			
Investment income	935	-	935
Gain on disposal of capital assets or property	-	82,595	82,595
Total Nonoperating Revenues	<u>935</u>	<u>82,595</u>	<u>83,530</u>
Income (Loss) Before Transfers	<u>(980,714)</u>	<u>1,142,374</u>	<u>161,660</u>
Transfers:			
Transfers in	<u>306,805</u>	<u>500,000</u>	<u>806,805</u>
Total Transfers	<u>306,805</u>	<u>500,000</u>	<u>806,805</u>
Change in Net Position	(673,909)	1,642,374	968,465
Net Position, Beginning of Year	<u>4,575,859</u>	<u>12,805,826</u>	<u>17,381,685</u>
Net Position, End of Year	<u>\$ 3,901,950</u>	<u>\$ 14,448,200</u>	<u>\$ 18,350,150</u>

**CITY OF LAGUNA BEACH**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2019**

	Insurance and Employee Benefits	Vehicle Replacement	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 11,804,621	\$ 1,670,172	\$ 13,474,793
Cash payments to suppliers for goods and services	(9,818,665)	-	(9,818,665)
Cash payments to employees for services	(939,697)	-	(939,697)
	<u>1,046,259</u>	<u>1,670,172</u>	<u>2,716,431</u>
Net Cash Provided by Operating Activities			
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	306,805	500,000	806,805
Cash received for payment on advance to other funds	742,850	-	742,850
Cash received related to housing program	7,500	19,259	26,759
	<u>1,057,155</u>	<u>519,259</u>	<u>1,576,414</u>
Net Cash Provided by Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	(1,444,433)	(1,444,433)
Proceeds from sale of capital assets	-	82,595	82,595
	<u>-</u>	<u>(1,361,838)</u>	<u>(1,361,838)</u>
Net Cash Used for Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Interest received	935	-	935
	<u>935</u>	<u>-</u>	<u>935</u>
Net Cash Provided by Investing Activities			
Net Increase in Cash and Cash Equivalents	2,104,349	827,593	2,931,942
Cash and Cash Equivalents, Beginning of Year	10,175,003	8,425,802	18,600,805
Cash and Cash Equivalents, End of Year	<u>\$ 12,279,352</u>	<u>\$ 9,253,395</u>	<u>\$ 21,532,747</u>

(Continued)

**CITY OF LAGUNA BEACH**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2019**  
**(Continued)**

	Insurance and Employee Benefits	Vehicle Replacement	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (981,649)	\$ 1,059,779	\$ 78,130
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	610,393	610,393
(Increase) decrease in accounts receivable	1,249,132	-	1,249,132
Increase (decrease) in accounts payable and accrued liabilities	(116,514)	-	(116,514)
Increase (decrease) in compensated absences payable	2,491	-	2,491
Increase (decrease) in insurance claims payable	892,799	-	892,799
	<u>\$ 1,046,259</u>	<u>\$ 1,670,172</u>	<u>\$ 2,716,431</u>
Net Cash Provided by Operating Activities	<u>\$ 1,046,259</u>	<u>\$ 1,670,172</u>	<u>\$ 2,716,431</u>

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## **AGENCY FUNDS**

### **1915 Act Bonds Fund**

This fund was created to account for the debt service and reserves required by the bond indentures related to undergrounding and infrastructure improvements associated with various assessment districts.

### **Deposits Fund**

The purpose of this fund is to account for deposits placed by developers and individuals for performance bonds or safe keeping.

**CITY OF LAGUNA BEACH**  
**Agency Funds**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**June 30, 2019**

	1915 Act Bonds	Deposits	Total
<b>ASSETS</b>			
Cash and investments	\$ 947,502	\$ 3,066,886	\$ 4,014,388
Investments with fiscal agent	538,711	-	538,711
Receivables:			
Taxes	10,810	-	10,810
Intergovernmental	16	-	16
	<u>\$ 1,497,039</u>	<u>\$ 3,066,886</u>	<u>\$ 4,563,925</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 91,514	\$ 91,514
Deposits	-	2,975,372	2,975,372
Due to bondholders	1,497,039	-	1,497,039
	<u>\$ 1,497,039</u>	<u>\$ 3,066,886</u>	<u>\$ 4,563,925</u>
Total Liabilities			

**CITY OF LAGUNA BEACH**  
**Agency Funds**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2019**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b><u>1915 ACT BONDS</u></b>				
<b>Assets</b>				
Cash and investments	\$ 1,011,769	\$ 1,662,594	\$ 1,726,861	\$ 947,502
Investments with fiscal agent	664,732	977,225	1,103,246	538,711
Receivables:				
Taxes	11,573	10,804	11,567	10,810
Intergovernmental	2,572	-	2,556	16
Total Assets	<u>\$ 1,690,646</u>	<u>\$ 2,650,623</u>	<u>\$ 2,844,230</u>	<u>\$ 1,497,039</u>
<b>Liabilities</b>				
Due to bondholders	<u>\$ 1,690,646</u>	<u>\$ 2,650,623</u>	<u>\$ 2,844,230</u>	<u>\$ 1,497,039</u>
<b><u>DEPOSITS</u></b>				
<b>Assets</b>				
Cash and investments	<u>\$ 3,093,198</u>	<u>\$ 2,054,270</u>	<u>\$ 2,080,582</u>	<u>\$ 3,066,886</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 67,364	\$ 1,228,699	\$ 1,204,549	\$ 91,514
Deposits	3,025,834	1,195,930	1,246,392	2,975,372
Total Liabilities	<u>\$ 3,093,198</u>	<u>\$ 2,424,629</u>	<u>\$ 2,450,941</u>	<u>\$ 3,066,886</u>
<b><u>TOTALS</u></b>				
<b>Assets</b>				
Cash and investments	\$ 4,104,967	\$ 3,716,864	\$ 3,807,443	\$ 4,014,388
Investments with fiscal agent	664,732	977,225	1,103,246	538,711
Receivables:				
Taxes	11,573	10,804	11,567	10,810
Intergovernmental	2,572	-	2,556	16
Total Assets	<u>\$ 4,783,844</u>	<u>\$ 4,704,893</u>	<u>\$ 4,924,812</u>	<u>\$ 4,563,925</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 67,364	\$ 1,228,699	\$ 1,204,549	\$ 91,514
Deposits	3,025,834	1,195,930	1,246,392	2,975,372
Due to bondholders	1,690,646	2,650,623	2,844,230	1,497,039
Total Liabilities	<u>\$ 4,783,844</u>	<u>\$ 5,075,252</u>	<u>\$ 5,295,171</u>	<u>\$ 4,563,925</u>

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## **STATISTICAL SECTION**

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## **FINANCIAL TRENDS**

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

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

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

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

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

	Fiscal Years			
	2010	2011	2012	2013
Governmental activities:				
Net investment in capital assets	\$ 315,618,279	\$ 321,965,481	\$ 324,225,923	\$ 328,944,217
Restricted	12,512,277	5,196,077	5,869,787	4,421,951
Unrestricted	43,085,546	56,708,144	50,569,411	60,011,983
Total governmental activities	<u>\$ 371,216,102</u>	<u>\$ 383,869,702</u>	<u>\$ 380,665,121</u>	<u>\$ 393,378,151</u>
Business-type activities:				
Net investment in capital assets	\$ 2,620,625	\$ 3,033,502	\$ 2,834,551	\$ 2,642,078
Unrestricted	55,182	372,435	372,452	408,379
Total business type activities	<u>\$ 2,675,807</u>	<u>\$ 3,405,937</u>	<u>\$ 3,207,003</u>	<u>\$ 3,050,457</u>
Primary Government:				
Net investment in capital assets	\$ 318,238,904	\$ 324,998,983	\$ 327,060,474	\$ 331,586,295
Restricted	12,512,277	5,196,077	5,869,787	4,421,951
Unrestricted	43,140,728	57,080,579	50,941,863	60,420,362
Total business type activities	<u>\$ 373,891,909</u>	<u>\$ 387,275,639</u>	<u>\$ 383,872,124</u>	<u>\$ 396,428,608</u>

Data Source: City Records

Fiscal Years

2014	2015	2016	2017	2018	2019
\$ 299,392,486	\$ 301,705,857	\$ 299,735,000	\$ 279,232,956	\$ 295,985,393	\$ 298,698,689
7,223,908	9,559,633	15,943,397	12,576,083	12,897,272	15,221,830
57,924,594	16,937,401	27,254,391	35,076,956	35,892,931	39,877,633
\$ 364,540,988	\$ 328,202,891	\$ 342,932,788	\$ 326,885,995	\$ 344,775,596	\$ 353,798,152
\$ 43,758,305	\$ 42,452,562	\$ 45,461,137	\$ 39,751,055	\$ 41,056,246	\$ 41,503,006
3,173,301	3,197,284	2,377,065	1,312,520	133,248	1,846,897
\$ 46,931,606	\$ 45,649,846	\$ 47,838,202	\$ 41,063,575	\$ 41,189,494	\$ 43,349,903
\$ 343,150,791	\$ 344,158,419	\$ 345,196,137	\$ 318,984,011	337,041,639	340,201,695
7,223,908	9,559,633	15,943,397	12,576,083	12,897,272	15,221,830
61,097,895	20,134,685	29,631,456	36,389,476	36,026,179	41,724,530
\$ 411,472,594	\$ 373,852,737	\$ 390,770,990	\$ 367,949,570	\$ 385,965,090	\$ 397,148,055

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

	Fiscal Years			
	2010	2011	2012	2013
<b>Expenses:</b>				
<b>Governmental activities:</b>				
General government	\$ 4,252,146	\$ 4,291,832	\$ 4,658,171	\$ 4,773,294
Community development	3,614,799	3,686,004	3,991,867	3,826,827
Public Safety	25,351,962	26,364,923	26,937,061	24,694,999
Public Works	20,707,700	14,336,928	13,913,687	12,424,315
Recreation and social services	4,268,774	4,676,679	5,004,329	4,787,756
Sewer service operating costs	5,673,965	5,700,769	6,063,835	5,519,819
Interest on long-term debt	290,473	187,964	211,810	129,382
<b>Total governmental activities expenses</b>	<b>64,159,819</b>	<b>59,245,099</b>	<b>60,780,760</b>	<b>56,156,392</b>
<b>Business-type activities:</b>				
Municipal transit	2,458,706	2,450,265	2,233,496	2,148,718
Sewer Service	-	-	-	-
<b>Total business-type activities expenses</b>	<b>2,458,706</b>	<b>2,450,265</b>	<b>2,233,496</b>	<b>2,148,718</b>
<b>Total primary government expenses</b>	<b>\$ 66,618,525</b>	<b>\$ 61,695,364</b>	<b>\$ 63,014,256</b>	<b>\$ 58,305,110</b>
<b>Program revenues:</b>				
<b>Governmental activities:</b>				
<b>Charges for Services:</b>				
General Government	\$ 945,403	\$ 890,306	\$ 882,761	\$ 906,051
Community development	2,523,559	2,246,036	2,195,031	2,731,302
Public safety	2,111,769	1,725,333	1,752,556	1,797,519
Public works	6,081,042	6,994,344	6,295,258	7,428,761
Recreation and social services	2,776,127	3,311,914	3,050,630	3,200,792
Sewer service operating costs	5,949,922	6,082,856	6,308,982	6,588,390
Operating Grants and Contributions:	3,192,109	3,930,216	1,961,730	2,024,308
Capital Grants and Contributions:	75,751	1,002,303	878,382	131,497
<b>Total governmental activities program revenues</b>	<b>23,655,682</b>	<b>26,183,308</b>	<b>23,325,330</b>	<b>24,808,620</b>
<b>Business-type activities</b>				
<b>Charges for Services:</b>				
Municipal Transit	313,847	323,428	318,205	326,723
Sewer service	-	-	-	-
Operating Grants and Contributions:	1,155,687	1,637,397	1,321,121	1,322,049
Capital Grants and Contributions:	-	393,174	-	-
<b>Total business-type activities program revenues</b>	<b>1,469,534</b>	<b>2,353,999</b>	<b>1,639,326</b>	<b>1,648,772</b>
<b>Total primary government program revenues</b>	<b>25,125,216</b>	<b>28,537,307</b>	<b>24,964,656</b>	<b>26,457,392</b>
<b>Net revenues (expenses):</b>				
Governmental activities	(40,504,137)	(33,061,791)	(37,455,430)	(31,347,772)
Business-type activities	(989,172)	(96,266)	(594,170)	(499,946)
<b>Total net revenues (expenses)</b>	<b>\$ (41,493,309)</b>	<b>\$ (33,158,057)</b>	<b>\$ (38,049,600)</b>	<b>\$ (31,847,718)</b>

Data Source: City Records

Fiscal Years					
2014	2015	2016	2017	2018	2019
\$ 3,252,176	\$ 4,011,666	\$ 4,961,384	\$ 6,155,221	\$ 5,999,777	\$ 6,835,988
4,103,329	4,286,769	5,098,251	5,066,791	5,638,445	6,112,595
25,755,201	26,606,083	31,639,192	31,929,625	34,698,566	38,130,078
16,320,422	18,085,062	20,779,294	26,449,618	25,566,306	24,793,130
5,173,507	6,022,747	5,481,466	5,461,800	5,838,148	5,984,453
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>81,856,244</u>
2,333,048	2,434,172	2,976,677	3,137,062	3,703,612	3,576,268
5,636,354	7,569,442	5,963,003	6,720,112	8,381,044	8,542,329
<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>12,118,597</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>	<u>\$ 93,974,841</u>
\$ 981,002	\$ 1,015,049	\$ 1,002,599	\$ 1,104,868	\$ 1,095,550	\$ 1,239,001
3,204,521	3,167,128	3,773,050	4,033,486	3,620,227	3,622,776
1,591,619	1,989,290	1,679,812	1,448,493	1,643,406	1,591,639
7,343,113	9,314,702	8,622,598	9,936,897	9,169,286	10,179,675
3,305,296	3,979,198	3,641,643	3,559,566	4,544,920	4,265,798
-	-	-	-	-	-
1,971,819	2,764,891	1,849,916	1,823,585	2,154,138	2,092,295
1,596,735	433,681	8,212,560	4,894,568	14,384,725	519,193
<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>	<u>23,510,377</u>
346,288	319,134	313,458	302,683	288,339	265,158
6,814,418	7,093,423	7,400,257	7,699,521	8,050,631	8,388,932
1,765,639	2,302,614	2,332,192	1,711,517	2,579,238	2,587,941
851,923	555,307	-	-	-	-
<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>11,242,031</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>	<u>34,752,408</u>
(34,610,530)	(36,348,387)	(39,177,409)	(48,261,592)	(41,128,990)	(58,345,867)
1,808,866	266,864	1,106,227	(143,453)	(1,166,448)	(876,566)
<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>	<u>\$ (59,222,433)</u>

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

	Fiscal Years			
	2010	2011	2012	2013
General Revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 27,766,596	\$ 27,799,676	\$ 26,553,228	\$ 27,498,818
Sales Tax	3,206,617	3,356,309	3,825,793	3,989,812
Sales tax in-lieu	697,446	948,251	979,382	1,125,941
Transient occupancy taxes	6,759,353	7,073,251	7,904,562	8,537,050
Other taxes	1,816,278	2,167,624	2,311,061	2,086,233
Motor vehicle license fees, unrestricted	74,043	115,763	-	-
Investment Income	1,332,412	1,028,790	739,632	(70,016)
Other general revenue	775,565	1,365,120	1,576,053	964,666
Gain on sale of assets	-	5,050	70,207	271,698
Transfers	(468,900)	(823,900)	(391,300)	(343,400)
Total governmental activities	<u>\$ 41,959,410</u>	<u>\$ 43,035,934</u>	<u>\$ 43,568,618</u>	<u>\$ 44,060,802</u>
Business-type activities				
Investment Income	\$ 19,065	\$ 2,496	\$ 3,936	\$ -
Other general revenue	4,003	-	-	-
Gain or loss on sale of assets	2,302	-	-	-
Transfers	468,900	823,900	391,300	343,400
Total Business-type activities	<u>\$ 494,270</u>	<u>\$ 826,396</u>	<u>\$ 395,236</u>	<u>\$ 343,400</u>
Total Primary government	<u>\$ 42,453,680</u>	<u>\$ 43,862,330</u>	<u>\$ 43,963,854</u>	<u>\$ 44,404,202</u>
Changes in net position				
Governmental activities	\$ 1,455,273	\$ 9,974,143	\$ 6,113,188	\$ 12,713,030
Business-type activities	(494,902)	730,130	(198,934)	(156,546)
Total primary government	<u>\$ 960,371</u>	<u>\$ 10,704,273</u>	<u>\$ 5,914,254</u>	<u>\$ 12,556,484</u>

Data Source: City Records



Fiscal Years					
2014	2015	2016	2017	2018	2019
\$ 29,051,006	\$ 30,945,911	\$ 34,100,038	\$ 36,391,079	\$ 38,727,313	\$ 40,678,746
4,230,239	4,602,679	5,345,953	6,000,084	6,124,970	6,581,928
1,185,284	1,201,956	1,029,002	-	-	-
9,366,183	9,872,378	10,754,654	12,670,071	14,708,047	14,649,273
2,147,742	2,233,271	1,372,912	1,418,582	1,360,102	1,316,999
-	-	-	-	-	-
1,160,595	708,579	1,259,063	35,817	308,576	3,841,077
1,002,476	1,172,011	1,059,699	964,459	576,925	798,075
198,439	75,928	31,283	338,126	126,977	99,675
(915,389)	(1,350,691)	(1,045,298)	(1,449,674)	(1,303,635)	(597,350)
<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>	<u>\$ 67,368,423</u>
\$ 3,819	\$ 25,464	\$ 36,734	\$ 18,087	\$ 17,193	\$ 14,099
25,103	4,650	97	21,895	74,577	2,413,672
-	(6,537)	-	-	15,138	11,854
915,389	1,350,691	1,045,298	1,449,674	1,303,635	597,350
<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>\$ 3,036,975</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>	<u>\$ 70,405,398</u>
\$ 12,816,045	\$ 13,113,635	\$ 14,729,897	\$ 8,106,952	\$ 19,500,285	\$ 9,022,556
2,753,177	1,641,132	2,188,356	1,346,203	244,095	2,160,409
<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>	<u>\$ 11,182,965</u>

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

	Fiscal Years			
	2010	2011	2012	2013
General Fund:				
Reserved	\$ 3,056,277	\$ -	\$ -	\$ -
Unreserved	22,743,525	-	-	-
Nonspendable	-	1,457,462	103,726	129,616
Restricted	-	4,731,971	3,526,976	3,317,856
Committed	-	234,988	306,539	306,359
Assigned	-	19,511,838	20,962,498	27,272,289
Unassigned	-	4,822,332	8,215,647	6,781,959
Total general fund	<u>\$ 25,799,802</u>	<u>\$ 30,758,591</u>	<u>\$ 33,115,386</u>	<u>\$ 37,808,079</u>
All other governmental funds:				
Reserved	\$ 5,235,110	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	5,511,826	-	-	-
Capital project funds	1,269,168	-	-	-
Nonspendable	-	791,384	791,384	3,531,567
Restricted	-	6,266,345	10,385,155	3,595,034
Committed	-	5,857,868	-	5,984,699
Assigned	-	-	-	265,217
Unassigned	-	(2,184,688)	(774,645)	(148,095)
Total all other governmental funds	<u>\$ 12,016,104</u>	<u>\$ 10,730,909</u>	<u>\$ 10,401,894</u>	<u>\$ 13,228,422</u>

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

Fiscal Years

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
146,990	115,089	115,607	51,539	1,490,158	2,496,535
2,958,295	3,073,396	2,566,305	2,176,142	1,681,766	2,052,731
334,525	363,278	350,106	192,825	885,622	1,008,990
23,734,527	29,467,522	36,008,155	40,163,871	38,308,560	36,410,273
13,420,963	16,308,063	18,240,858	20,942,863	21,282,064	27,530,330
<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>	<u>\$ 69,498,859</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,190,000	-	-	-	598,904	2,330,719
4,265,613	6,486,737	13,377,092	10,399,151	10,616,602	10,838,380
6,034,556	6,089,679	6,153,059	6,209,559	6,320,696	6,440,498
-	-	-	-	-	-
(531,502)	(521,922)	-	-	-	-
<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>	<u>\$ 19,609,597</u>

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

	Fiscal Years			
	2010	2011	2012	2013
<b>Revenues:</b>				
Taxes and special assessments	\$ 40,986,641	\$ 41,678,318	\$ 41,653,733	\$ 43,929,172
License and permits	924,040	990,966	975,884	1,052,041
Fines and penalties	1,483,462	1,274,270	1,283,698	1,341,961
Investment income	1,361,432	1,064,467	739,628	(70,016)
Rental income	420,678	445,491	419,641	427,341
Intergovernmental	3,228,921	3,978,327	3,469,505	2,121,486
Charges for services	12,693,018	13,056,488	12,987,838	13,603,713
Parking meters, lots and permits	4,080,151	4,891,228	4,276,533	5,384,197
Development tax	39,804	680,391	183,704	433,526
Contributions from property owners	-	-	-	-
Other	1,047,961	1,372,893	900,815	652,921
Total Revenue	<u>\$ 66,266,108</u>	<u>\$ 69,432,839</u>	<u>\$ 66,890,979</u>	<u>\$ 68,876,342</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	\$ 3,901,637	\$ 3,991,706	\$ 4,071,235	\$ 4,014,084
Community development	3,482,651	3,531,828	3,600,452	3,751,468
Public Safety	24,681,583	24,676,244	24,419,318	24,336,927
Public works	11,070,780	10,097,113	10,671,049	10,958,046
Recreation and social services	4,196,800	4,003,836	4,049,299	4,216,980
Sewer service operating costs	4,093,162	4,009,715	4,062,448	3,950,183
Capital outlay	9,377,939	11,060,240	10,745,569	8,974,111
<b>Debt service:</b>				
Principal	1,425,000	1,490,000	1,915,472	360,040
Interest and fiscal charges	697,523	625,428	181,283	132,459
Total Expenditures	<u>\$ 62,927,075</u>	<u>\$ 63,486,110</u>	<u>\$ 63,716,125</u>	<u>\$ 60,694,298</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 3,339,033	\$ 5,946,729	\$ 3,174,854	\$ 8,182,044
<b>Other financing sources (uses):</b>				
Transfer In	\$ 6,087,140	\$ 538,742	\$ 987,270	\$ 1,697,131
Transfer Out	(6,803,929)	(2,816,927)	(2,446,370)	(2,614,936)
Issuance of bond	-	-	459,263	-
Issuance of loan	152,486	-	-	-
Advance payments of PERS obligation	(9,956,355)	-	-	-
Sales of land and equipment	956	5,050	12,109	254,582
Total other financing sources (uses)	<u>(10,519,702)</u>	<u>(2,273,135)</u>	<u>(987,728)</u>	<u>(663,223)</u>
Net change in fund balances	<u>\$ (7,180,669)</u>	<u>\$ 3,673,594</u>	<u>\$ 2,187,126</u>	<u>\$ 7,518,821</u>
Debt service as a percentage of noncapital expenditures	4.1%	4.2%	4.1%	1.0%

Data Source: City Records

Fiscal Years

2014	2015	2016	2017	2018	2019
\$ 46,861,756	\$ 49,740,077	\$ 53,422,115	\$ 57,209,543	\$ 61,759,702	\$ 64,132,553
1,292,248	1,257,275	1,500,393	1,580,348	1,563,386	1,401,562
1,179,799	1,161,445	1,168,255	1,001,556	1,056,801	959,270
1,159,549	715,521	1,256,302	35,817	302,357	3,840,142
500,642	484,579	481,114	463,868	457,540	425,517
3,363,671	2,817,867	2,118,995	1,785,855	2,508,832	2,781,991
7,509,075	8,153,319	8,177,621	8,508,729	8,711,740	8,648,899
5,308,051	7,400,349	6,739,529	7,857,684	6,994,805	8,065,075
254,370	271,927	185,949	310,117	178,875	263,291
-	-	7,281,713	167,566	32,723	30,000
802,838	1,556,022	957,974	644,607	618,968	844,320
<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>	<u>\$ 91,392,620</u>
\$ 3,701,265	\$ 4,598,623	\$ 5,330,478	\$ 5,851,668	\$ 5,795,153	\$ 6,425,030
4,034,924	4,445,514	5,041,256	5,065,752	5,598,168	5,884,065
25,170,727	27,014,412	30,647,342	30,351,932	34,592,292	35,904,287
12,292,930	11,867,474	12,839,368	14,049,840	16,005,447	16,154,021
4,581,842	4,902,441	4,889,196	4,770,513	5,305,605	5,309,727
-	-	-	-	-	-
15,782,365	10,735,900	7,172,705	13,495,671	13,351,622	12,387,251
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 82,064,381</u>
\$ 2,667,946	\$ 9,994,017	\$ 17,369,615	\$ 5,980,314	\$ 3,537,442	\$ 9,328,239
\$ 419,760	\$ 1,050,000	\$ 120,000	\$ 1,744,140	\$ 2,113,000	\$ 1,659,158
(1,869,144)	(2,223,400)	(2,071,298)	(4,989,570)	(4,602,020)	(3,063,313)
-	-	-	584,993	-	-
-	-	-	-	-	-
-	-	-	-	-	-
168,676	7,258	11,023	4,891	-	-
<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>	<u>(1,404,155)</u>
<u>\$ 1,387,238</u>	<u>\$ 8,827,875</u>	<u>\$ 15,429,340</u>	<u>\$ 3,324,768</u>	<u>\$ 1,048,422</u>	<u>\$ 7,924,084</u>
0.0%	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
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%
2019	15,137,859,516	118,829,430	15,256,688,946	1.450%

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			
	2010	2011	2012	2013
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	0.0137	0.0119	-	-
Unified School District Bonds	0.0168	0.1580	0.1601	0.1694
South Coast Water District	0.0092	0.0091	0.0082	0.0082
Metro Water District	0.0043	0.0037	0.0037	0.0035
Total Direct and overlapping Rate	<u>\$ 1.04406</u>	<u>\$ 1.18267</u>	<u>\$ 1.17200</u>	<u>\$ 1.18110</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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
-	-	-	-	-	-
0.0157	0.0146	0.0140	0.0137	0.0129	0.0129
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>\$ 1.02704</u>	<u>\$ 1.02530</u>	<u>\$ 1.02411</u>	<u>\$ 1.01928</u>	<u>\$ 1.01637</u>	<u>\$ 1.01635</u>

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

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Shr Mlb Llc	366,841,051	1	2.40%			
Icre Laguna Club Llc	131,199,922	2	0.86%			
Hometown Laguna Terrace Llc	60,140,186	3	0.39%			
Hci Laguna Owner L P	57,395,400	4	0.38%			
Laguna Cove Llc	46,818,000	5	0.31%			
Warpinski Joseph	39,101,240	6	0.26%			
Iconicviews Company Llc	35,553,217	7	0.23%			
Irvine Cove 2004 Llc	35,527,010	8	0.23%			
Gross William H	34,767,091	9	0.23%			
Serenita Llc	33,953,238	10	0.22%			
Laguna Beach Luxury Hotel				171,866,928	1	1.69%
Club Laguna Partnership				45,334,152	2	0.45%
Sullivan Kenneth J Iii				32,072,222	3	0.32%
Laguna Vista Properties L P				31,741,505	4	0.31%
Nevills Neil D				30,171,600	5	0.30%
Rosenblatt Ira H				25,000,000	6	0.25%
Yi Donna				23,496,657	7	0.23%
Sleepy Hollow Lane Llc				23,134,334	8	0.23%
Daichendt Gary J				22,875,933	9	0.23%
Burden, Gregory J Tr & Child C				22,169,279	10	0.22%
	<u>\$ 841,296,355</u>		<u>5.51%</u>	<u>\$ 427,862,610</u>		<u>4.22%</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
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%
2019	33,892,536	33,355,336	98.41%	537,200	33,892,536	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		
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
2019	-	-	-	-	10,751,678	10,751,678	0.53%	460

Data Source: City Records

CITY OF LAGUNA BEACH  
Direct and Overlapping Debt  
June 30, 2019

CITY OF LAGUNA BEACH

2018-19 Assessed Valuation: \$15,286,966,614

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u>	<u>% Applicable (1)</u>	<u>City's share of</u>
	<u>6/30/2019</u>		<u>Debt 6/30/19</u>
Metropolitan Water District	\$48,050,000	52.400%	\$251,782
Capistrano Unified School District School Facilities Improvement District No. 1	21,748,753	0.010	2,175
Laguna Beach Unified School District	21,715,000	73.037	15,859,985
City of Laguna Beach 1915 Act Bonds	<u>7,249,247</u>	<u>100</u>	<u>7,249,247</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$23,363,189</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$388,720	2.581%	\$10,032,863
Orange County Pension Obligation Bonds	407,629,239	2.581	10,520,911
Orange County Board of Education Certificates of Participation	13,490,000	2.581	348,177
Capistrano Unified School District Certificates of Participation	28,790,000	0.007	2,015
<b>City of Laguna Beach</b>	<b>0</b>	<b>100</b>	<b>0</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$20,903,966</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
TOTAL OVERLAPPING DEBT			<u>\$44,267,155</u>
COMBINED TOTAL DEBT			<u>\$44,267,155 (2)</u>

(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 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.15%
<b>Total Direct Debt</b>	<b>0.00%</b>
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	
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	79,848	285.97%
2019	8,388,932	6,315,367	2,073,565	423,189	157,227	357.25%

*Data Source: City Records*

CITY OF LAGUNA BEACH  
 Legal Debt Margin  
 Last Ten Fiscal Years

	Fiscal Years			
	2010	2011	2012	2013
Assessed valuation	10,143,694,955	10,335,472,585	10,468,333,980	10,681,022,396
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,535,923,739	2,583,868,146	2,617,083,495	2,670,255,599
Debt limit percentage	15%	15%	15%	15%
Debt limit	380,388,561	387,580,222	392,562,524	400,538,340
Total net debt applicable to limit:				
General obligation bonds	<u>5,840,000</u>	<u>4,480,000</u>	<u>1,565,000</u>	<u>-</u>
Legal debt margin	<u>\$ 374,548,561</u>	<u>\$ 383,100,222</u>	<u>\$ 390,997,524</u>	<u>\$ 400,538,340</u>
Total debt applicable to the limit as a percentage of debt limit	1.5%	1.2%	0.4%	0.0%

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					
2014	2015	2016	2017	2018	2019
11,181,201,735	11,895,671,535	12,700,905,363	13,582,283,549	14,410,004,305	15,256,688,946
25%	25%	25%	25%	25%	25%
2,795,300,434	2,973,917,884	3,175,226,341	3,395,570,887	3,602,501,076	3,814,172,237
15%	15%	15%	15%	15%	15%
419,295,065	446,087,683	476,283,951	509,335,633	540,375,161	572,125,835
-	-	-	-	-	-
<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>	<u>\$ 572,125,835</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
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%
2019	23,358	2,215,201,245	94,837	2.2%

*Source: MuniServices, LLC / an Avenu Insights & Analytics Company, U.S. Census Bureau, 2010 American Community Survey 2013-14 and prior, previously published CAFR.*

*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.) Median Age reflects the U.S. Census data estimation table*
- 4.) Student Enrollment reflects the total number of students enrolled in the Laguna Beach Unified School District.*
- 5.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department*

CITY OF LAGUNA BEACH  
Principal Employers  
Current Year and Five Years Ago

Business Name	2018-19		2013-2014	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Montage Laguna Beach Hotel**	599	4.75%	780	4.76%
Laguna Beach School District	335	2.66%	300	1.83%
Surf & Sand Resort**	322	2.56%	306	1.87%
Mission Hospital, Laguna Beach (1)	311	2.47%	565	3.45%
City of Laguna Beach***	262	2.08%	250	1.52%
Laguna College of Art & Design**	230	1.83%	225	1.37%
Pacific Edge Hotel** (2)	180	1.43%	2303	1.40%
Las Brisas Restaurant**	136	1.08%	150	0.91%
Mozambique Restaurant**	100	0.79%	130	0.79%
Whole Foods Market**	71	0.56%	86	0.52%
Hotel Laguna			79	0.48%
Total Top 10 Employers	2,546	20.21%	5,174	18.90%
 Total City Labor Force (3)	 12,600		 16,400	

Source: MuniServices, LLC

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

Data unavailable prior to 2013-14.

\*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			
	2010	2011	2012	2013
General Government	18.03	18.03	17.63	17.63
Public Safety	134.00	132.60	132.50	132.50
Public Works	55.00	54.00	51.00	50.00
Community Development	28.00	27.00	26.50	26.50
Recreational and Cultural	7.65	7.75	7.75	7.75
Water Quality	15.00	15.00	15.00	15.00
Total	<u>257.68</u>	<u>254.38</u>	<u>250.38</u>	<u>249.38</u>

*Data Source: City Records*

Fiscal Years					
2014	2015	2016	2017	2018	2019
17.63	17.63	18.73	18.73	20.23	20.23
132.60	135.00	136.00	136.00	149.00	150.00
51.00	51.00	54.60	54.60	57.00	57.00
27.00	28.00	30.00	30.00	32.00	32.00
7.75	7.75	6.00	6.00	6.00	6.00
15.00	15.00	15.00	15.00	15.00	15.00
<u>250.98</u>	<u>254.38</u>	<u>260.33</u>	<u>260.33</u>	<u>279.23</u>	<u>280.23</u>

CITY OF LAGUNA BEACH  
 Operating Indicators  
 Last Ten Fiscal Years

	Fiscal Years			
	2010	2011	2012	2013
Police				
Custodial Arrests	1,411	2,163	1,527	2,176
Traffic Violations	6,624	7,176	5,855	6,138
Parking Violations	39,108	35,688	38,553	40,050
Fire Protection:				
Number of Calls Answered	3,052	3,080	3,413	3,311
Number of Inspections	950	1,035	1,620	1,650
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

2014	2015	2016	2017	2018	2019
1,694	2,093	2,125	2,113	2,102	2,133
5,300	5,923	3,794	3,372	6,716	4,153
34,004	36,685	34,017	30,557	26,275	28,989
3,375	3,447	N/A	3,562	3,325	3,554
1,021	1,384	N/A	982	1,155	1,587
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			
	2010	2011	2012	2013
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					
2014	2015	2016	2017	2018	2019
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