

CITY OF LAGUNA BEACH, CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

CITY OF LAGUNA BEACH, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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INTRODUCTORY SECTION

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February 24, 2021

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, 2020.

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 Clifton Larson Allen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020, 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, 2020, 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 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 budget cycle. The City Manager uses these requests as the starting point for developing a proposed 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, public works, 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 Note 1 of the notes to the basic 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.

The City began Fiscal Year 2019-20 with a robust economy that was expanding due to consecutive years of revenue growth combined with prudent financial management and a strong General Fund reserve. At the mid-year budget update in February 2020, the City of Laguna Beach was on track to meet and even exceed

our revenue projections for the year. However, in March 2020, the COVID-19 pandemic hit the United States and caused one of the most sudden economic downturns the City has ever experienced.

The World Health Organization (WHO) declared COVID-19 a global pandemic on March 11, 2020. The City subsequently declared a local emergency on March 15, 2020, and a statewide stay-at-home order began on March 19, 2020. The stay-at-home order was extended in December 2020 but has since been lifted with some easing of restrictions since the initial order. The City closely monitored the activity happening at the local and national level to ensure that we responded to information as it was received. Even through this pandemic, the City remains in good financial condition and is cautiously optimistic that the City's revenue sources will gradually increase back to their previous levels.

As a result of the pandemic, the City is ending the fiscal year June 30, 2020 with revenues below its original projections but higher than its revised estimates. The City has a fund balance in the General Fund of \$69 million, decreasing only by \$366,000 from the prior year. The most significant impact to the City's revenues was to the transient occupancy taxes, which decreased by \$2.8 million compared to the prior year due to the temporary closure of hotels and short-term rentals and decreased traveling. Sales tax revenue was also greatly impacted by the pandemic, decreasing by \$1 million compared to the prior year. Property tax revenues were not affected by the current pandemic and grew in Fiscal Year 2019-20 to \$42.4 million due to increasing home prices and sales.

Maintaining good fiscal health remains a significant priority. Expenditure reductions and shifting of priorities to maintain service levels provide the stability needed to offset the declines in revenues the City is currently experiencing due to the COVID-19 pandemic. The City will continue to closely monitor the local and national economy as it responds to the COVID-19 pandemic and adjust revenue and expenditure projections accordingly to ensure a balanced budget.

Local economy. According to the UCLA Anderson Forecast, the national economy is forecasted to have slow growth through the first quarter of 2021 with an adjusted annual growth rate of 1.8% before robust growth of 6% in the second quarter of 2021. After that, growth rates are expected to remain above 3% over the next two years. UCLA Anderson Senior Economist Leo Feler "expects the economy will reach its previous peak by the end of 2021" attributing the growth to a surge in consumption of services and continued strength in the housing market. Feler expects inflation only to grow around 2.1% to 2.2% per year. In addition, the unemployment rate is expected to improve gradually, remaining above 5% through 2021 before falling to 4% by 2023.

For California, UCLA Anderson Forecast suggests that the State's economic growth will remain lower than that of the nation due to stricter mandates and closures in response to the COVID-19 pandemic. UCLA Anderson Forecast Director Jerry Nickelsburg anticipates a weak growth rate through the balance of 2020 and into early 2021. Economists expect the State's unemployment rate will end 2020 at 8.9%, and the "average unemployment rate to be 6.9% in 2021, followed by 5.2% in 2022 and 4.4% in 2023." On a positive note, the California housing market continues to grow despite the coronavirus pandemic's economic impact. The California Association of Realtors projects that median home prices will rise by 1.3% in 2021, with home sales increasing by 3.3%. They attribute this growth to low-interest rates and strong demand for homeownership.

The outlook for Orange County is more promising. According to the December 2020 Chapman University Forecast, Orange County will recover economically by the end of 2021 or sooner. This is not to dismiss the fact that COVID-19 had a more significant impact on Orange County than the rest of California because of the higher proportion of leisure, hospitality, and tourism jobs. However, Orange County has been experiencing a slower growth rate even before the pandemic began. In February 2020, Orange County grew

only half a percent more than other counties in Southern California. It's the housing market that has been fueling the county's economic recovery during this pandemic. Housing values increased by nearly 8% year over year due to low mortgage rates and low supply. Housing prices are estimated to grow by 4.4% in 2021, partly due to the record number of luxury home sales and the new work-from-home model.

Long-term financial planning. The City's 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 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. Much of the current year accomplishments were in response to the COVID-19 pandemic to ensure that residents and businesses continued receiving essential city services throughout this time. Key accomplishments included the approval of the Economic Recovery and Business Development Plan creating The Promenade on Forest, issuing temporary use permits for outdoor dining, and deferring transient occupancy taxes for hotels. Other responses to the pandemic included the adoption of the mask advisor program, creation of the community newsletter, reopening of city beaches and facilities, and maintaining fiscal stability.

Significant progress was also achieved on several of the City Council priorities including the implementation of key measures of the Wildfire Mitigation and Fire Safety Plan; updates to the Downtown Specific Plan and Historic Preservation Program; completion of new fuel modification zone along Laguna Canyon Road and securing \$1 million in state grant funds for fuel modifications in South Laguna; and continued improvements of City facilities and infrastructure improvements.

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:

- Neighborhood Improvement Program
- New Community Development Permitting System
- Parking Ordinance Changes
- Community Choice Energy Analysis and Policy
- Unfunded Pension Costs

Unfunded Pension Liability: One of the most significant challenges to the long-term fiscal stability of Laguna Beach is the unfunded pension obligations for city staff under the California Public Employees Retirement System (CalPERS). The City has consistently taken steps to mitigate increases in its pension cost using a combination of pay downs of its unfunded liability, employee cost-sharing, and prepayments to CalPERS. However, the decision by CalPERS to lower the rate of return assumptions on the investment

portfolio is anticipated to increase the City's employer contribution rate by 50% over the next four years, an increase that is expected to reach roughly \$3.1 million by FY 2024-25. The City Council understands the urgency and continues to evaluate strategies to address this issue.

Awards and Acknowledgements

Awards: The City has received the award for excellence in financial reporting for the past four 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, 2020. This was the fourth 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

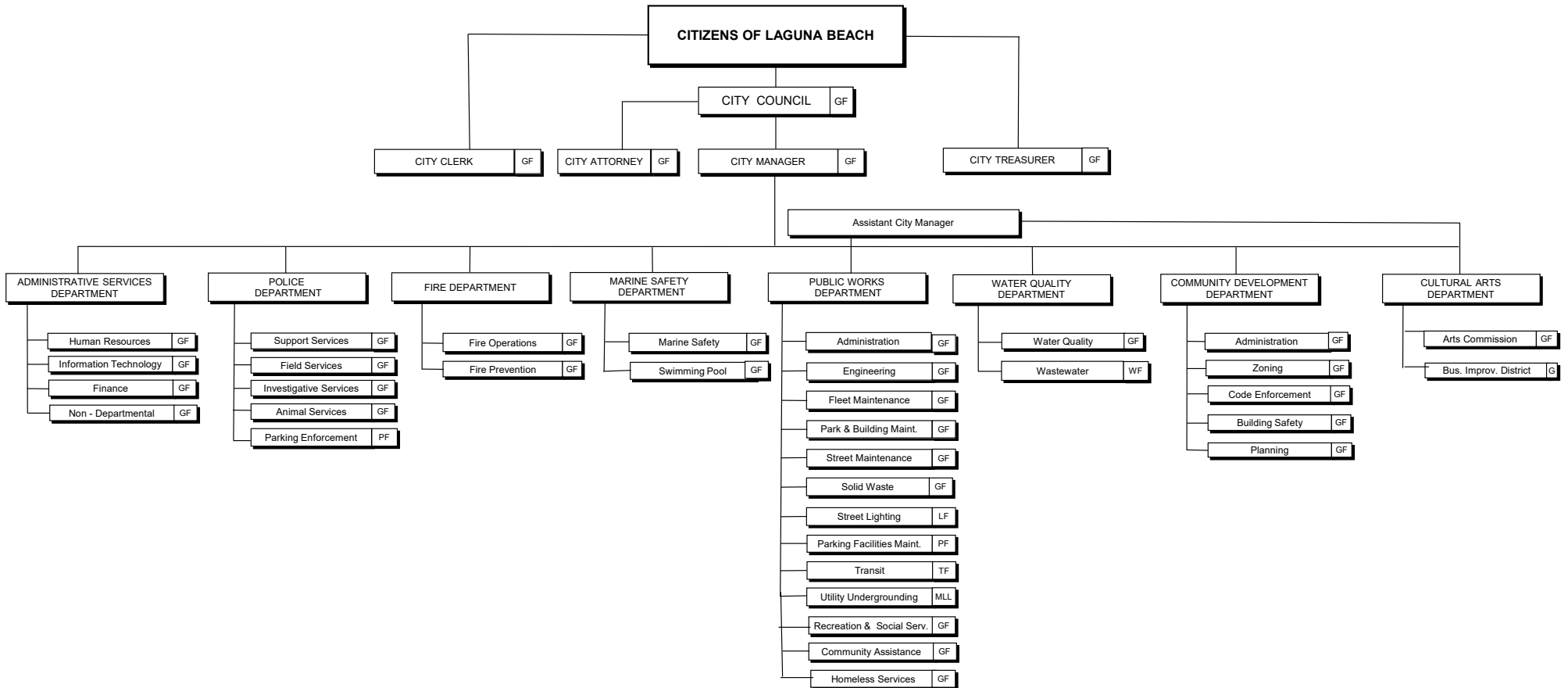


Gavin Curran
Director of Administrative Services



Kristopher Ryan
Finance Manager

City of Laguna Beach





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, 2019

Christopher P. Morill

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, 2020, 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, 2020, 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 our 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, major capital projects fund budgetary comparison schedule, 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 February 24, 2021, 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 solely 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 effectiveness of the City’s 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.



CliftonLarsonAllen LLP

Irvine, California
February 24, 2021

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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, 2020. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. Please read it in conjunction with the accompanying transmittal letter at the front of this report, and the basic financial statements, which follow this section.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Reporting the City as a Whole

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

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

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

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

Reporting the City's Major Funds

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

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

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 122.0	\$ 122.0	\$11.8	\$13.0	\$133.8	\$135.0
Capital Assets	301.7	298.7	47.2	44.2	348.9	342.9
Total Assets	<u>423.7</u>	<u>420.7</u>	<u>59.0</u>	<u>57.2</u>	<u>482.7</u>	<u>477.9</u>
Deferred Outflows of Resources	<u>13.9</u>	<u>16.1</u>	<u>0.7</u>	<u>0.8</u>	<u>14.6</u>	<u>16.9</u>
Long-Term Debt Outstanding	75.4	71.5	14.2	13.7	89.6	85.2
Other Liabilities	9.4	10.1	1.5	0.9	10.9	11.0
Total Liabilities	<u>84.8</u>	<u>81.6</u>	<u>15.7</u>	<u>14.6</u>	<u>100.5</u>	<u>96.2</u>
Deferred Inflows of Resources	<u>1.8</u>	<u>1.4</u>	<u>0.1</u>	<u>0.1</u>	<u>1.9</u>	<u>1.5</u>
Net Position						
Net Investment in						
Capital Assets	300.8	298.7	42.5	41.5	343.3	340.2
Restricted	17.4	15.2	-	-	17.4	15.2
Unrestricted	<u>32.2</u>	<u>39.9</u>	<u>1.3</u>	<u>1.8</u>	<u>33.5</u>	<u>41.7</u>
Total Net Position	<u>\$ 350.4</u>	<u>\$ 353.8</u>	<u>\$ 43.8</u>	<u>\$ 43.3</u>	<u>\$ 394.2</u>	<u>\$ 397.1</u>

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 \$394.2 million as of June 30, 2020.

The largest portion of the City's net position, \$343.3 million (87.0%) are reflected in its investment in capital assets (e.g., land, street infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt will be provided from future revenues and the remaining 13.0% 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 \$17.4 million (4.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$33.5 million (8.5%) 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 decreased by \$3.0 million during the current fiscal year. The net position of governmental activities decreased by \$3.5 million and business-type activities had an increase of \$500 thousand.

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

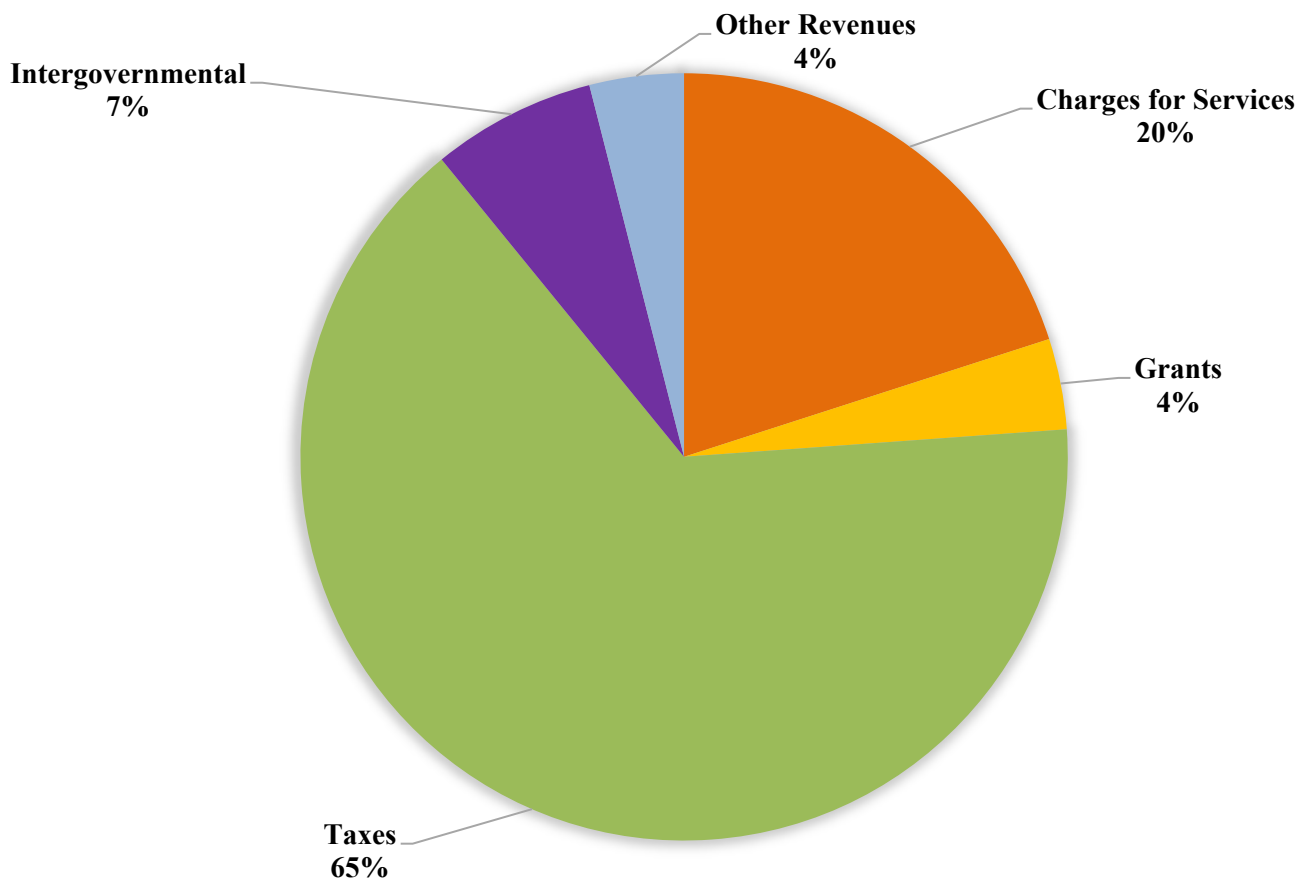
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$17,076	\$20,899	\$8,880	\$8,654	\$25,956	\$29,553
Operating Grants/Contributions	2,689	2,092	2,650	2,588	5,339	4,680
Capital Grants/Contributions	572	519	-	-	572	519
General Revenues						
Taxes and special assessments	55,641	56,645	-	-	55,641	56,645
Intergovernmental	5,892	6,880	-	-	5,892	6,880
Rental income	-	-	-	-	-	-
Investment income	3,146	3,841	218	14	3,364	3,855
Miscellaneous revenues	189	500	192	2,414	381	2,914
Gain (loss) on sale/disposal of capital assets	50	99	42	12	92	111
Total Revenues	<u>85,255</u>	<u>91,475</u>	<u>11,982</u>	<u>13,682</u>	<u>97,237</u>	<u>105,157</u>
Expenses:						
General government	6,734	6,836			6,734	6,836
Community development	6,724	6,113			6,724	6,113
Public safety	42,332	38,130			42,332	38,130
Public works	25,734	24,793			25,734	24,793
Recreation and social services	6,173	5,984			6,173	5,984
Municipal transit	-	-	3,752	3,576	3,752	3,576
Sewer Service	-	-	8,786	8,542	8,786	8,542
Total Expenses	<u>87,697</u>	<u>81,856</u>	<u>12,538</u>	<u>12,118</u>	<u>100,235</u>	<u>93,974</u>
Increase (Decrease) in Net Position						
Before Transfers	(2,442)	9,619	(556)	1,564	(2,998)	11,183
Transfers	<u>(1,035)</u>	<u>(597)</u>	<u>1,035</u>	<u>597</u>	<u>(0)</u>	<u>-</u>
Increase (Decrease) in Net Position	(3,477)	9,022	479	2,161	(2,998)	11,183
Net Position-Beginning, as restated	<u>353,798</u>	<u>344,776</u>	<u>43,350</u>	<u>41,189</u>	<u>397,148</u>	<u>385,965</u>
Net Position-Ending	<u>\$350,321</u>	<u>\$353,798</u>	<u>\$43,828</u>	<u>\$43,350</u>	<u>\$394,149</u>	<u>\$397,148</u>

The City’s total revenues were \$97.2 million while the total expenditures were \$100.2 million. Property taxes were the City’s largest revenue source at \$42.4 million (43.6% of total revenues and 49.8% of governmental revenues). Transient occupancy taxes at \$11.9 million (12.2% of total revenues and 14.0% governmental revenues) and sales taxes, at \$5.6 million (5.8% of total revenues and 6.6% of governmental revenues) were the second largest revenue sources for the City this past year. Property taxes increased approximately 4.2% resulting from a steady increase in secured taxes driven by higher demand in housing and higher property values. However, the City’s sales taxes decreased by 15.2% and transient occupancy taxes (TOT) decreased by 18.5% as a result of the COVID-19 pandemic, which started in March 2020.

Governmental activities. The governmental activities’ decrease in net position of \$3.5 million activity accounted for 100% of the total decline in net position for the City this past year. Revenues decreased by \$6.2 million compared to the prior year due to the impact of the pandemic. The largest decreases in revenues came from Charges for Services of \$3.8 million and Taxes and Special Assessments of \$1 million. These decreases included losses of \$2.2 million in parking and permit fees, \$1 million in sales tax, \$500 thousand from transient occupancy taxes for the business improvement district, \$380 thousand from community development fees, and \$355 thousand in recreation fees.

The following graph depicts the major revenue sources of the City. It depicts very clearly the reliance on taxes (i.e. property, franchise, building, and transient occupancy taxes) to fund governmental activities.

Revenues by Source – Governmental Activities



General government expenses (including City Council, City Manager, City Attorney, City Clerk, City Treasurer and Administrative Services) were 8% of the total cost of governmental activities. Charges for services offset 17% of the cost of providing these services.

Community development expenditures were 8% of the total cost of governmental activities. Charges for services and operating grants and contributions helped to offset 45% of the cost of these activities.

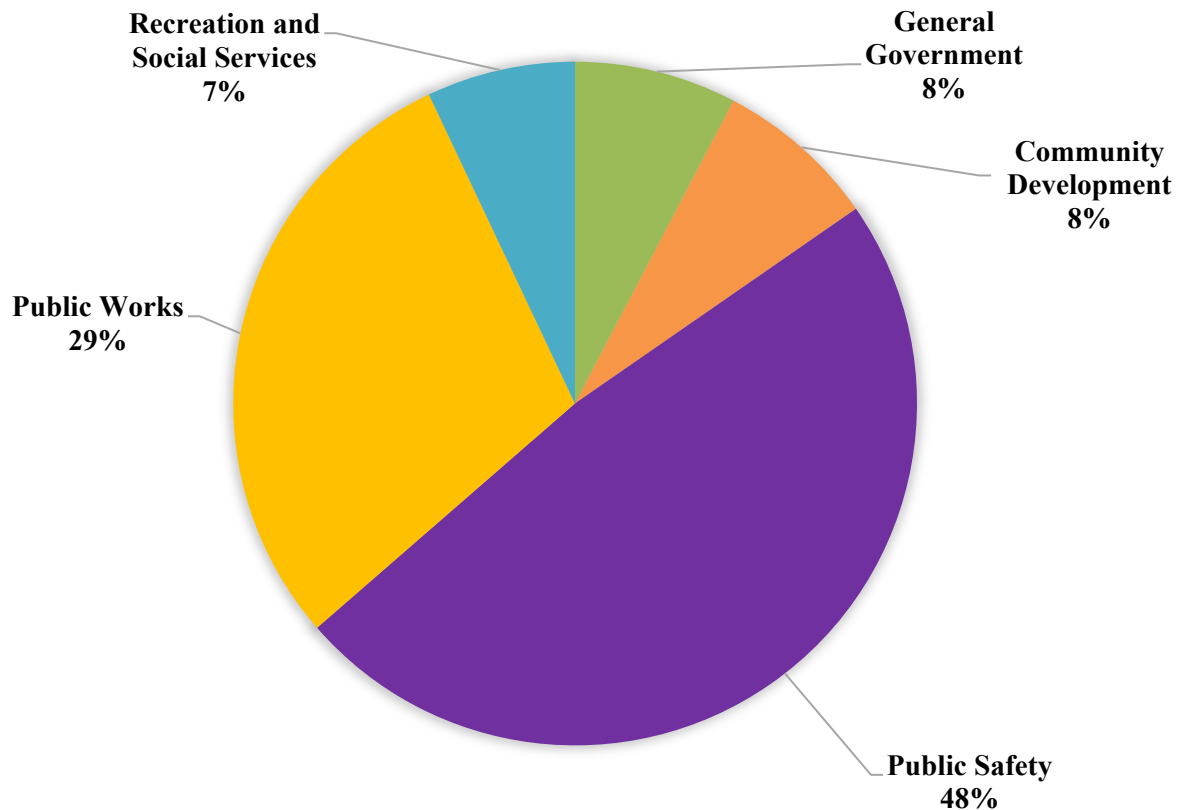
Public safety expenses comprised the largest component of governmental activities, approximately 48% of the total cost of governmental activities this past year. Charges for services, operating and capital grants, and contributions offset 4% of the cost of providing these services.

Public Works was the second largest governmental activity representing 29% of the total cost of governmental activities. Charges for services, operating and capital grants and contributions helped to offset 31% 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 55% 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 \$478 thousand. The expenses of the City’s business-type activity, the municipal transit system and sewer services, included costs incurred for capitalized assets that were funded by charges for services and operating and capital grants.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of June 30, 2020, the governmental funds reported combined ending fund balances of \$88.3 million, a decrease of \$765 thousand in comparison with the prior year. The City has \$6.7 million (7.5%) in fund balance classified as nonspendable to indicate it cannot be readily converted to cash; \$12.6 million (14.2%) 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; \$38.5 million (43.6%) in assigned fund balance to indicate that the City Council has an assigned purpose or intent for how the money should be spent; and \$23.1 million (26.2%) in unassigned fund balance to indicate that it is the residual balance not otherwise restricted.

The fund balance of the City's General Fund decreased by \$366 thousand during the fiscal year ending June 30, 2020. In addition, reasons for changes in the revenues and expenditures of the City's General Fund from the prior year include:

- Revenues decreased by \$7.6 million compared to the prior year due to the impact of the pandemic. Of that amount, \$3.4 million was from a decrease in transient occupancy taxes (TOT), \$2.2 million from parking fees and permits, \$1.0 million from sales tax, \$380 thousand from community development fees, and \$355 thousand in recreation fees.
- Expenditures decreased \$190 thousand compared to the prior year primarily due to less funds spent for capital equipment purchases in FY19-20.

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 \$1.4 million which is used to account for assessment utility undergrounding projects which are funded by property owners of the assessment district. Revenues include contributions from property owners restricted for projects within the Assessment District and interest earned on such funds. The fund balance decreased by \$213 thousand due to construction costs related to the Crestview Drive utility undergrounding project.

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

The unrestricted net position of the Municipal Transit Fund and Sewer Service Fund at the end of the fiscal year amounted to \$1.3 million. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the original budget and the final amended budget of the General Fund totaled \$22.5 million, and significant items can be briefly summarized as follows:

- \$15.2 million increase for carryover appropriations, items appropriated in a prior fiscal year that have not yet been spent.
- \$6.9 million for the appropriations towards the Wildfire Mitigation and Fire Safety Fund.

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

- Total revenues were \$7.6 million below final budgeted revenues. However, it's important to note that \$3.4 million of the General Fund revenues were grants carried over into FY 2020-21 of which \$3.3 million was for the California Climate Investment Grant. Separating these carryovers from the final budgeted revenues would then show a unfavorable variance of \$4.3 million. The unfavorable variance is from the decreased revenues in transient occupancy taxes and sales taxes that has already been addressed in the discussion of the City's governmental funds.
- Total expenditures were under the budgeted amount by \$25.6 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 due to the City's strong General Fund reserves.

CAPITAL ASSETS

	Capital Assets - Net of Depreciation					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 90,454,722	90,448,672	196,106	196,106	90,650,828	90,644,778
Buildings and Improvements	45,633,875	45,727,856	1,131,864	1,194,732	46,765,739	46,922,588
Office Equipment & Machinery	1,797,171	1,943,110	205,658	233,037	2,002,829	2,176,147
Furniture and Fixtures	1,954,573	1,898,463	37,680	40,402	1,992,253	1,938,865
Equipment Machinery & Tools	2,755,038	2,589,769	628,841	630,641	3,383,879	3,220,410
Sewer Plant and Lines			31,934,017	29,890,255	31,934,017	29,890,255
Capacity Rights			8,891,728	7,500,575	8,891,728	7,500,575
Automotive Equipment	4,008,950	4,138,801	4,004,896	2,847,088	8,013,846	6,985,889
Infrastructure	130,158,426	132,024,461	-	-	130,158,426	132,024,461
Construction in Progress	24,967,662	19,927,557	194,129	1,633,364	25,161,791	21,560,921
Total	\$ 301,730,417	298,698,689	47,224,919	44,166,200	348,955,336	342,864,889

The major changes to the capital assets during the year ended June 30, 2020, were completion of the beach access stairs at Thalia/Beach and Agate/Beach, lobby improvements for Marine Safety headquarters, upgrades to the odor control system at Bluebird SOCWA, and rehabilitation of deteriorated pipe lining in the sewer system. Unexpended construction commitments as of year-end are discussed in note 5 to the financial statements. Additional information on the City's capital assets can be found in the note 4 to the financial statements.

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment Agreement	\$ -	-	10,163,699	10,751,678	10,163,699	10,751,678
Total	\$ -	-	10,163,699	10,751,678	10,163,699	10,751,678

The City’s total debt decreased by \$589 thousand (5.5%) during the current fiscal year. The outstanding debt is to help fund capital improvements to the City’s sewer system. The decrease in total debt is from the annual debt service payments made to the loan provider. 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, 2020

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Water District
ASSETS				
Cash and investments	\$ 107,184,241	\$ 2,342,125	\$ 109,526,366	\$ 18,692,221
Cash with fiscal agent	60,453	-	60,453	-
Receivables:				
Taxes	4,272,490	125,792	4,398,282	68,040
Accounts	650,991	17,405	668,396	1,900,188
Interest	108,372	-	108,372	104,669
Intergovernmental	426,913	2,179,532	2,606,445	-
Ibank installment agreement	-	6,972,044	6,972,044	-
Notes	841,014	98,447	939,461	84,586
Prepays	6,596,156	-	6,596,156	155,600
Inventory	63,080	-	63,080	299,064
Computer loans to employees	-	-	-	5,850
Property for housing program	1,743,653	-	1,743,653	-
Capital assets, not being depreciated	115,422,384	390,235	115,812,619	5,850,583
Capital assets, being depreciated	186,308,033	46,834,684	233,142,717	49,806,905
Total Assets	<u>423,677,780</u>	<u>58,960,264</u>	<u>482,638,044</u>	<u>76,967,706</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pension plans	13,261,798	619,377	13,881,175	1,539,796
Deferred amounts related to OPEB	665,558	40,109	705,667	82,819
Total Deferred Outflows of Resources	<u>13,927,356</u>	<u>659,486</u>	<u>14,586,842</u>	<u>1,622,615</u>
LIABILITIES				
Accounts payable and accrued liabilities	6,497,783	387,095	6,884,878	1,987,452
Deposits	60,833	-	60,833	40,159
Due to other government agencies	68,379	-	68,379	-
Unearned revenues	320,288	-	320,288	-
Interest payable	-	82,007	82,007	-
Noncurrent liabilities:				
Due within one year	3,116,534	1,075,065	4,191,599	712,475
Due in more than one year:				
Other long-term liabilities	8,669,106	10,681,113	19,350,219	277,426
Total OPEB liability	2,944,861	177,602	3,122,463	825,808
Net pension liability	63,809,564	3,326,334	67,135,898	6,462,094
Total Liabilities	<u>85,487,348</u>	<u>15,729,216</u>	<u>101,216,564</u>	<u>10,305,414</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pension plans	1,796,871	62,642	1,859,513	296,172
Deferred amounts related to OPEB plan	-	-	-	61,229
Total Deferred Inflows of Resources	<u>1,796,871</u>	<u>62,642</u>	<u>1,859,513</u>	<u>357,401</u>
NET POSITION				
Net investment in capital assets	300,791,758	42,514,260	343,306,018	55,037,488
Restricted for:				
Capital projects	1,440,047	-	1,440,047	-
Parking in-lieu	957	-	957	-
Park in-lieu	683,771	-	683,771	-
Art in-lieu	367,166	-	367,166	-
Drainage	78,808	-	78,808	-
Housing in-lieu	830,265	-	830,265	-
Transportation infrastructure	75,803	-	75,803	-
Street lighting district	11,668,360	-	11,668,360	-
Street projects	2,186,264	-	2,186,264	-
Public safety	8,908	-	8,908	-
Unrestricted	32,188,810	1,313,632	33,502,442	12,890,018
Total Net Position	<u>\$ 350,320,917</u>	<u>\$ 43,827,892</u>	<u>\$ 394,148,809</u>	<u>\$ 67,927,506</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary Government:					
Governmental Activities:					
General government	\$ 6,733,936	\$ 1,161,133	\$ -	\$ -	\$ 1,161,133
Community development	6,724,466	3,000,391	272,068	-	3,272,459
Public safety	42,331,532	1,503,156	831,616	-	2,334,772
Public works	25,733,663	8,035,749	1,160,731	571,667	9,768,147
Recreation and social services	6,173,404	3,375,378	424,176	-	3,799,554
Total Governmental Activities	<u>87,697,001</u>	<u>17,075,807</u>	<u>2,688,591</u>	<u>571,667</u>	<u>20,336,065</u>
Business-type Activities:					
Municipal transit	3,752,088	253,977	2,649,540	-	2,903,517
Sewer service	8,785,885	8,626,052	-	-	8,626,052
Total Business-type Activities	<u>12,537,973</u>	<u>8,880,029</u>	<u>2,649,540</u>	<u>-</u>	<u>11,529,569</u>
Total Primary Government	<u>\$ 100,234,974</u>	<u>\$ 25,955,836</u>	<u>\$ 5,338,131</u>	<u>\$ 571,667</u>	<u>\$ 31,865,634</u>
Component Unit:					
Water District	<u>\$ 14,419,477</u>	<u>\$ 11,641,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,641,266</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
\$ (5,572,803)	\$ -	\$ (5,572,803)	\$ -
(3,452,007)	-	(3,452,007)	-
(39,996,760)	-	(39,996,760)	-
(15,965,516)	-	(15,965,516)	-
(2,373,850)	-	(2,373,850)	-
<u>(67,360,936)</u>	<u>-</u>	<u>(67,360,936)</u>	<u>-</u>
-	(848,571)	(848,571)	-
-	(159,833)	(159,833)	-
-	<u>(1,008,404)</u>	<u>(1,008,404)</u>	<u>-</u>
<u>(67,360,936)</u>	<u>(1,008,404)</u>	<u>(68,369,340)</u>	<u>-</u>
			<u>(2,778,211)</u>
11,939,790	-	11,939,790	-
42,385,283	-	42,385,283	3,312,703
1,189,133	-	1,189,133	-
126,633	-	126,633	-
308,393	-	308,393	-
5,583,948	-	5,583,948	-
3,146,238	218,267	3,364,505	901,888
50,024	41,933	91,957	-
188,773	191,679	380,452	-
<u>64,918,215</u>	<u>451,879</u>	<u>65,370,094</u>	<u>4,214,591</u>
<u>(1,034,514)</u>	<u>1,034,514</u>	<u>-</u>	<u>-</u>
(3,477,235)	477,989	(2,999,246)	1,436,380
<u>353,798,152</u>	<u>43,349,903</u>	<u>397,148,055</u>	<u>66,491,126</u>
<u>\$ 350,320,917</u>	<u>\$ 43,827,892</u>	<u>\$ 394,148,809</u>	<u>\$ 67,927,506</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, 2020

	General	Capital Projects Assessment Districts
ASSETS		
Cash and investments	\$ 68,077,679	\$ 1,398,001
Cash with fiscal agent	-	60,453
Receivables:		
Taxes	4,249,159	-
Accounts	582,241	-
Interest	108,372	-
Intergovernmental	262,595	-
Notes	348,000	-
Prepays	4,207,979	-
Inventory	63,080	-
Due from other funds	275,872	-
Advances to other funds	-	-
	-	-
Total Assets	\$ 78,174,977	\$ 1,458,454
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 5,229,206	\$ 3,907
Deposits	46,333	14,500
Due to other funds	-	-
Due to other governmental agencies	68,379	-
Unearned revenue	320,288	-
Advances from other funds	2,986,120	-
	2,986,120	-
Total Liabilities	8,650,326	18,407
Deferred inflows of resources:		
Unavailable revenues	392,007	-
	392,007	-
Fund Balances:		
Nonspendable	4,271,059	-
Restricted	2,036,770	1,440,047
Committed	881,350	-
Assigned	38,537,450	-
Unassigned	23,406,015	-
	23,406,015	-
Total Fund Balances	69,132,644	1,440,047
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 78,174,977	\$ 1,458,454

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 13,955,945	\$ 83,431,625
-	60,453
23,331	4,272,490
-	582,241
-	108,372
164,318	426,913
119,714	467,714
2,388,177	6,596,156
-	63,080
-	275,872
<u>1,500,000</u>	<u>1,500,000</u>
<u>\$ 18,151,485</u>	<u>\$ 97,784,916</u>
\$ 104,254	\$ 5,337,367
-	60,833
275,872	275,872
-	68,379
-	320,288
-	<u>2,986,120</u>
<u>380,126</u>	<u>9,048,859</u>
-	<u>392,007</u>
2,388,177	6,659,236
9,087,178	12,563,995
6,571,876	7,453,226
-	38,537,450
<u>(275,872)</u>	<u>23,130,143</u>
<u>17,771,359</u>	<u>88,344,050</u>
<u>\$ 18,151,485</u>	<u>\$ 97,784,916</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, 2020

Fund balances - total governmental funds	\$	88,344,050
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity. This amount does not include \$3,978,851 of internal service fund net capital assets:		
Capital assets		429,391,535
Accumulated depreciation		(131,639,969)
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		(63,809,564)
Deferred outflows of resources related to pension		13,261,798
Deferred inflows of resources related to pension		(1,796,871)
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		(2,944,861)
Deferred outflows of resources related to OPEB		665,558
Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.		
		392,007
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.		
		18,457,234
Net position of governmental activities	\$	350,320,917

CITY OF LAGUNA BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	General	Capital Projects Assessment Districts
Revenues:		
Taxes	\$ 59,593,169	\$ -
Licenses and permits	1,192,344	-
Fines and penalties	937,560	-
Investment income, net	3,030,274	30,191
Rental	448,319	-
Intergovernmental	1,231,888	-
Charges for services	7,375,023	-
Parking meters, lots, and permits	5,908,986	-
Development tax	153,783	-
Contributions from property owners	-	522,848
Other	486,465	5,377
	<u>80,357,811</u>	<u>558,416</u>
Expenditures:		
Current:		
General government	6,129,597	-
Community development	6,245,015	-
Public safety	37,253,216	-
Public works	15,079,771	125,235
Recreation and social services	5,175,265	-
Capital outlay	9,831,508	646,210
	<u>79,714,372</u>	<u>771,445</u>
Total Expenditures		
	<u>79,714,372</u>	<u>771,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>643,439</u>	<u>(213,029)</u>
Other Financing Sources (Uses):		
Transfers in	763,500	-
Transfers out	(1,773,154)	-
	<u>(1,009,654)</u>	<u>-</u>
Total Other Financing Sources (Uses)		
	<u>(1,009,654)</u>	<u>-</u>
Net Change in Fund Balances	(366,215)	(213,029)
Fund Balances, Beginning of Year	<u>69,498,859</u>	<u>1,653,076</u>
Fund Balances, End of Year	<u>\$ 69,132,644</u>	<u>\$ 1,440,047</u>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,232,647	\$ 61,825,816
-	1,192,344
-	937,560
286,319	3,346,784
-	448,319
1,385,645	2,617,533
-	7,375,023
-	5,908,986
-	153,783
-	522,848
-	491,842
3,904,611	84,820,838
-	6,129,597
-	6,245,015
493,763	37,746,979
599,276	15,804,282
201,037	5,376,302
2,392,197	12,869,915
3,686,273	84,172,090
218,338	648,748
360,000	1,123,500
(763,500)	(2,536,654)
(403,500)	(1,413,154)
(185,162)	(764,406)
17,956,521	89,108,456
\$ 17,771,359	\$ 88,344,050

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, 2020

Net change in fund balances - total governmental funds \$ (764,406)

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 \$589,146 in net additions and \$717,011 in depreciation expense:

Depreciation expense	(7,734,728)
Purchases of capital assets recorded in governmental funds	10,894,321

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.	(6,198,413)
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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.	(173,100)
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Revenues reported as unavailable revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	392,007
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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.	<u>107,084</u>
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Change in net position of governmental activities	<u><u>\$ (3,477,235)</u></u>
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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, 2020

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 2,342,125	\$ 2,342,125	\$ 23,752,616
Receivables:				
Taxes	-	125,792	125,792	-
Accounts	-	17,405	17,405	68,750
Intergovernmental	2,179,532	-	2,179,532	-
Total Current Assets	<u>2,179,532</u>	<u>2,485,322</u>	<u>4,664,854</u>	<u>23,821,366</u>
Noncurrent Assets:				
Ibank installment agreement	-	6,972,044	6,972,044	-
Advances to other funds	-	-	-	1,486,120
Notes receivable	-	98,447	98,447	373,300
Property for housing program	-	-	-	1,743,653
Capital assets, not being depreciated	196,106	194,129	390,235	-
Capital assets, net of depreciation	4,939,203	41,895,481	46,834,684	3,978,851
Total Noncurrent Assets	<u>5,135,309</u>	<u>49,160,101</u>	<u>54,295,410</u>	<u>7,581,924</u>
Total Assets	<u>7,314,841</u>	<u>51,645,423</u>	<u>58,960,264</u>	<u>31,403,290</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	92,260	527,117	619,377	-
Deferred amounts related to OPEB	7,144	32,965	40,109	-
Total Deferred Outflows of Resources	<u>99,404</u>	<u>560,082</u>	<u>659,486</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	44,183	342,912	387,095	1,160,416
Interest payable	-	82,007	82,007	-
Compensated absences, due within one year	4,248	19,726	23,974	838,316
Insurance claims payable, due within one year	-	-	-	2,278,218
Capital lease obligations, due within one year	276,152	-	276,152	-
I Bank installment agreements, due within one year	-	774,939	774,939	-
Total Current Liabilities	<u>324,583</u>	<u>1,219,584</u>	<u>1,544,167</u>	<u>4,276,950</u>
Noncurrent Liabilities:				
Compensated absences	16,994	78,905	95,899	3,353,263
Insurance claims payable	-	-	-	5,315,843
Capital lease obligations	1,196,454	-	1,196,454	-
I Bank installment agreements	-	9,388,760	9,388,760	-
Total OPEB liability	31,516	146,086	177,602	-
Net pension liability	489,669	2,836,665	3,326,334	-
Total Noncurrent Liabilities	<u>1,734,633</u>	<u>12,450,416</u>	<u>14,185,049</u>	<u>8,669,106</u>
Total Liabilities	<u>2,059,216</u>	<u>13,670,000</u>	<u>15,729,216</u>	<u>12,946,056</u>
DEFERRED INLFOWS OF RESOURCES				
Deferred amounts related to pensions	11,725	50,917	62,642	-
NET POSITION				
Net investment in capital assets	3,662,703	38,851,557	42,514,260	3,966,542
Unrestricted	1,680,601	(366,969)	1,313,632	14,490,692
Total Net Position	<u>\$ 5,343,304</u>	<u>\$ 38,484,588</u>	<u>\$ 43,827,892</u>	<u>\$ 18,457,234</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, 2020

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Operating Revenues:				
Passenger revenues	\$ 253,977	\$ -	\$ 253,977	\$ -
Vehicle rentals	-	-	-	1,546,888
Employee benefits charges	-	-	-	910,500
Insurance charges	-	-	-	10,074,150
Charges for services	-	8,626,052	8,626,052	-
Total Operating Revenues	<u>253,977</u>	<u>8,626,052</u>	<u>8,880,029</u>	<u>12,531,538</u>
Operating Expenses:				
Personnel services	2,145,008	2,032,059	4,177,067	-
Contractual services	247,974	2,522,341	2,770,315	-
Materials and supplies	563,007	2,073,991	2,636,998	-
Administration	264,810	8,792	273,602	224,976
Employee benefits	-	-	-	1,144,219
Insurance claims and premiums	-	-	-	10,758,323
Depreciation	498,348	1,967,359	2,465,707	717,011
Total Operating Expenses	<u>3,719,147</u>	<u>8,604,542</u>	<u>12,323,689</u>	<u>12,844,529</u>
Operating Income (Loss)	<u>(3,465,170)</u>	<u>21,510</u>	<u>(3,443,660)</u>	<u>(312,991)</u>
Nonoperating Revenues (Expenses):				
Investment income	-	218,267	218,267	-
Intergovernmental	2,649,540	-	2,649,540	-
Interest expense	(32,941)	(181,343)	(214,284)	-
Gain on disposal of capital assets	41,933	-	41,933	41,435
Other revenue	-	191,679	191,679	-
Total Nonoperating Revenues (Expenses)	<u>2,658,532</u>	<u>228,603</u>	<u>2,887,135</u>	<u>41,435</u>
Income (Loss) Before Transfers	<u>(806,638)</u>	<u>250,113</u>	<u>(556,525)</u>	<u>(271,556)</u>
Transfers:				
Transfers in	1,034,514	-	1,034,514	482,703
Transfers out	-	-	-	(104,063)
Total Transfers	<u>1,034,514</u>	<u>-</u>	<u>1,034,514</u>	<u>378,640</u>
Change in Net Position	227,876	250,113	477,989	107,084
Net Position, Beginning of Year	<u>5,115,428</u>	<u>38,234,475</u>	<u>43,349,903</u>	<u>18,350,150</u>
Net Position, End of Year	<u>\$ 5,343,304</u>	<u>\$ 38,484,588</u>	<u>\$ 43,827,892</u>	<u>\$ 18,457,234</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2020

	Business-Type Activities			Governmental Activities
	Municipal Transit	Sewer Service	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers	\$ 246,990	\$ 8,566,170	\$ 8,813,160	\$ -
Cash received from user departments	-	-	-	12,583,762
Cash payments to suppliers for goods and services	(1,160,232)	(4,376,501)	(5,536,733)	(10,050,091)
Cash payments to employees for services	(2,099,249)	(1,799,643)	(3,898,892)	(935,367)
Net Cash Provided by (Used for) Operating Activities	(3,012,491)	2,390,026	(622,465)	1,598,304
Cash Flows from Noncapital Financing Activities:				
Operating grant proceeds received	1,418,318	-	1,418,318	-
Cash received from insurance and settlements	-	191,679	191,679	-
Cash received from other funds	1,034,514	-	1,034,514	482,703
Cash paid to other funds	(253,882)	-	(253,882)	(104,063)
Cash received from operating grants - TDA	1,091,384	-	1,091,384	-
Cash received for payment on advance to other funds	-	-	-	763,538
Cash received from loan receivable	-	1,017,993	1,017,993	-
Cash received related to housing program	-	-	-	19,115
Net Cash Provided by Noncapital Financing Activities	3,290,334	1,209,672	4,500,006	1,161,293
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(39,257)	(3,764,985)	(3,804,242)	(581,163)
Proceeds from sale of capital assets	41,933	-	41,933	41,435
Payments on capital lease obligations	(247,578)	-	(247,578)	-
Principal paid on long-term debt	-	(587,979)	(587,979)	-
Interest paid on long-term debt	(32,941)	(190,133)	(223,074)	-
Net Cash Used for Capital and Related Financing Activities	(277,843)	(4,543,097)	(4,820,940)	(539,728)
Cash Flows from Investing Activities:				
Interest received	-	218,267	218,267	-
Net Cash Provided by Investing Activities	-	218,267	218,267	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	(725,132)	(725,132)	2,219,869
Cash and Cash Equivalents, Beginning of Year	-	3,067,257	3,067,257	21,532,747
Cash and Cash Equivalents, End of Year	\$ -	\$ 2,342,125	\$ 2,342,125	\$ 23,752,616

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2020
(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)	\$ (3,465,170)	\$ 21,510	\$ (3,443,660)	\$ (312,991)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	498,348	1,967,359	2,465,707	717,011
Changes in assets and deferred outflows of resources:				
(Increase) decrease in accounts receivable	3,013	(12,456)	(9,443)	52,224
(Increase) decrease in taxes receivable	-	(47,426)	(47,426)	-
(Increase) decrease in deferred outflows of resources related to pensions	26,854	123,595	150,449	-
(Increase) decrease in deferred outflows of resources related to OPEB	(876)	(3,507)	(4,383)	-
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in accounts payable and accrued liabilities	(84,441)	228,623	144,182	954,110
Increase (decrease) in unearned revenue	(10,000)	-	(10,000)	-
Increase (decrease) in compensated absences payabl	1,218	33,797	35,015	208,852
Increase (decrease) in insurance claims payable	-	-	-	(20,902)
Increase (decrease) in total OPEB liability	2,913	11,652	14,565	-
Increase (decrease) in net pension liability	15,430	69,142	84,572	-
Increase (decrease) in deferred inflows of resources related to pensions	220	(2,263)	(2,043)	-
 Net Cash Provided by (Used for) Operating Activities	 <u>\$ (3,012,491)</u>	 <u>\$ 2,390,026</u>	 <u>\$ (622,465)</u>	 <u>\$ 1,598,304</u>
 NONCASH INVESTING, CAPITAL, AND FINAINCING ACTIVITIES:				
Capital assets acquired through capital lease	<u>\$ 1,720,184</u>	<u>\$ -</u>	<u>\$ 1,720,184</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2020

ASSETS

Cash and investments	\$ 3,971,752
Investments with fiscal agent	472,174
Receivables:	
Taxes	<u>21,554</u>
Total Assets	<u><u>\$ 4,465,480</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 217,642
Deposits	2,715,954
Due to bondholders	<u>1,531,884</u>
Total Liabilities	<u><u>\$ 4,465,480</u></u>

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CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

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, 2020

***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, 2020

**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, 2020

**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, 2020

**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, 2020 were as follows:

General Fund	\$ 4,115,539
Assessment Districts Capital Projects Fund	143,531
Non-Major Governmental Funds	733,793
Total Encumbrances	<u>\$ 4,992,863</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

***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, 2020

***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, 2020

***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 and capital-related payables.

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, 2020

***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 \$66,009,787 and the minimum reserve requirement was \$13,201,957. The City's General Fund (single fund, not combined) reported \$23,406,015 of unassigned fund balance as of June 30, 2020.

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, 2020

***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 reports 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 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 retiree healthcare benefits through the plans.

In addition to liabilities, the statement of net position and governmental funds balance sheet reports 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 from unavailable revenues, which arises only under a modified accrual basis of accounting and is reported only in the government funds balance sheet. The governmental funds report unavailable from the following sources: transient occupancy taxes, charges for services, and grants. These amounts are deferred and recognized as an inflow in the period that the amounts become available.
- Deferred inflows related to pensions 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 inflows 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.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

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

S. Pensions

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

T. New GASB Pronouncements

GASB Current-Year Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This statement provides temporary relief to governments and other stakeholders in light of the coronavirus (COVID-19) pandemic and postpones the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Paragraph 4 of this statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution other post-employment benefit (OPEB) plan or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. Paragraph 5 of this statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of these paragraphs did not impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future. The City is currently evaluating the potential impact of these statements:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

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

T. New GASB Pronouncements (Continued)

Pending Accounting Standards (Continued)

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, and early application is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, and early application is encouraged.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses practice issues that have been identified during the implementation and application of certain GASB statements. This statement addresses a variety of topics, including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to post-employment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

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

T. New GASB Pronouncements (Continued)

Pending Accounting Standards (Continued)

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan, depending on whether the plan meets the definition of a pension plan, and clarifies that Statement 84, as amended, should be applied to all arrangements organized under Internal Revenue Code Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan’s reporting period in all circumstances. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. Earlier application of these requirements is encouraged and permitted.

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, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments - governmental activities	\$ 107,184,241
Cash with fiscal agent - governmental activities	60,453
Cash and investments - business-type activities	2,342,125

Statement of Fiduciary Assets and Liabilities:

Cash and investments	3,971,752
Investments with fiscal agent	472,174
Total cash and investments	<u>\$ 114,030,745</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand (petty cash and change funds)	\$ 5,600
Deposits with financial institutions	14,602,978
Cash held by bond fiscal agent	82,702
Investments	98,889,540
Investments held by bond fiscal agent	449,925
Total cash and investments	\$ 114,030,745

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

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

Investment Types Authorized by State Law or the City's Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Municipal Bonds**	5 years	25%	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	25%	None
Commercial Paper	270 days	25%	3%
Certificates of Deposit	5 years	25%	\$250,000
Medium-Term Corporate Notes	5 years	25%	3%
Bank Deposits	N/A	25%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
Supranational Securities	5 years	5%	None

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

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

Investments Authorized by Debt Agreements

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

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months*	
Federal Agency Securities	\$ 5,706,806	\$ 1,013,110	\$ 35,053,200	\$ -	\$ 41,773,116
Municipal Bonds	4,447,257	719,727	-	-	5,166,984
Local Agency Investment Fund	31,478,414	-	-	-	31,478,414
Medium-Term Notes	4,560,650	2,588,465	11,238,601	-	18,387,716
Supranational	1,006,310	-	-	-	1,006,310
City bonds	-	-	-	1,077,000	1,077,000
Held by Bond Fiscal Agent:					
Local Agency Investment Fund	449,925	-	-	-	449,925
Total	<u>\$ 47,649,362</u>	<u>\$ 4,321,302</u>	<u>\$ 46,291,801</u>	<u>\$ 1,077,000</u>	<u>\$ 99,339,465</u>

* - City Council has approved the investment in the City of Laguna Beach assessment district debt/bonds in the amount of \$1,077,000, which have maturities in excess of five years and are non-negotiable.

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Minimum Rating					Not Rated	Total
			AAA	AA+	AA	AA-	Other		
Federal Agency Securities	\$ 41,773,116	N/A	\$ -	\$ 41,773,116	\$ -	\$ -	\$ -	\$ -	\$ 41,773,116
Municipal Bonds	5,166,984	A*	-	-	1,595,861	3,571,123	-	-	5,166,984
Local Agency Investment Fund	31,478,414	N/A	-	-	-	-	-	31,478,414	31,478,414
Medium-Term Notes	18,387,716	A	-	2,626,175	2,532,600	1,109,210	12,119,731	-	18,387,716
Supranational	1,006,310	AA	1,006,310	-	-	-	-	-	1,006,310
City bonds	1,077,000	N/A	-	-	-	-	-	1,077,000	1,077,000
Held by Bond Fiscal Agent:									
Local Agency Investment Fund	449,925	N/A	-	-	-	-	-	449,925	449,925
Total	<u>\$ 99,339,465</u>		<u>\$ 1,006,310</u>	<u>\$ 44,399,291</u>	<u>\$ 4,128,461</u>	<u>\$ 4,680,333</u>	<u>\$ 12,119,731</u>	<u>\$ 33,005,339</u>	<u>\$ 99,339,465</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk (Continued)

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

Investment Type	A+	A	A-	Total
Medium-Term Notes	\$ 2,086,420	\$ 7,012,921	\$ 3,020,390	\$ 12,119,731

* City of Laguna Beach debt/bonds in the amount of \$1,077,000 are exempt from the minimum legal rating.

Concentration of Credit Risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The investment policy of the City contains a 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:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 10,019,200
Federal National Mortgage Association	Federal Agency Securities	7,019,980
Federal Home Loan Mortgage Corporation	Federal Agency Securities	15,718,166

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.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The 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. Federal agency securities, municipal bonds, medium-term notes, and supranational, classified in level 2 of the fair value hierarchy, are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The City has the following recurring fair value measurements as of June 30, 2020:

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
Federal Agency Securities	\$ 41,773,116	\$ -	\$ 41,773,116	\$ -
Municipal Bonds	5,166,984	-	5,166,984	-
Medium-Term Notes	18,387,716	-	18,387,716	-
Supranational	1,006,310	-	1,006,310	-
City bonds	1,077,000	-	-	1,077,000
Total Subject to Hierarchy	<u>67,411,126</u>	<u>\$ -</u>	<u>\$ 66,334,126</u>	<u>\$ 1,077,000</u>
Uncategorized (Not Subject to Hierarchy)				
Local Agency Investment Fund	31,478,414			
Held by Bond Fiscal Agent:				
Local Agency Investment Fund	<u>449,925</u>			
Total Investment Portfolio	<u>\$ 99,339,465</u>			

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 3 - INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2020 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	\$ 786,120
Internal Service Fund	General Fund	700,000
Nonmajor Governmental Funds	General Fund	<u>1,500,000</u>
		<u>\$ 2,986,120</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 2019-2020 was principal of \$763,538 and interest of \$93,540 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>
2020 - 2021	784,802
2021 - 2022	806,858
2022 - 2023	829,123
2023 - 2024	<u>565,337</u>
	<u>\$ 2,986,120</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	Non-Major Governmental Funds	<u>\$ 275,872</u>

The receivable of the General Fund from the Non-Major Government Fund represents a temporary deficit cash balance that will be addressed with next fiscal year's receipt of CARES Act funds.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 3 - INTERFUND ACTIVITY (CONTINUED)

Transfers

Interfund transfers at June 30, 2020 consisted of the following:

<u>Transfer In</u>	<u>Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 763,500	\$ -	\$ 763,500
Non-Major Governmental Funds	360,000	-	-	360,000
Municipal Transit Enterprise Fund	930,451	-	104,063	1,034,514
Internal Service Funds	482,703	-	-	482,703
	<u>\$ 1,773,154</u>	<u>\$ 763,500</u>	<u>\$ 104,063</u>	<u>\$ 2,640,717</u>

Transfers were used to:

1. Transfer from the Street Lighting Fund Special Revenue Nonmajor Fund to the General Fund in the amount of \$763,500 for expenditures related to the Utility Undergrounding Project.
2. Transfer from the General Fund to the Gas Tax Fund Special Revenue Nonmajor Fund in the amount of \$360,000 for expenditures related to supplemental funding for Street Slurry Seal and Rehabilitation.
3. Transfer from the General Fund to the Municipal Transit Enterprise Fund in the amount of \$280,200 to cover the balance of operating and capital expenses not funded from grants and other revenues and \$650,251 for temporary deficit cash balances.
4. Transfer from the General Fund to the Internal Service Funds in the amount of \$482,703 to cover the increase in Compensated Absences and \$300,000 for future vehicle replacement.
5. Transfer from the Vehicle Replacement Internal Service Fund to the Municipal Transit Fund in the amount of \$104,063 to cover the trolley payments.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at July 1, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
<u>Governmental Activities</u>				
Capital assets, not depreciated:				
Land	\$ 90,448,672	\$ 6,050	\$ -	\$ 90,454,722
Construction in progress	19,927,557	9,386,337	(4,346,232)	24,967,662
Total capital assets, not depreciated	<u>110,376,229</u>	<u>9,392,387</u>	<u>(4,346,232)</u>	<u>115,422,384</u>
Capital assets, being depreciated:				
Buildings and improvements	75,299,808	2,099,347	(7,270)	77,391,885
Office equipment and machinery	5,462,829	411,466	-	5,874,295
Furniture and fixtures	2,448,709	106,624	-	2,555,333
Equipment, machinery, and tools	6,154,605	608,969	-	6,763,574
Automotive equipment	9,223,952	589,146	(454,838)	9,358,260
Infrastructure	218,644,532	2,621,760	-	221,266,292
Total capital assets, being depreciated	<u>317,234,435</u>	<u>6,437,312</u>	<u>(462,108)</u>	<u>323,209,639</u>
Less accumulated depreciation for:				
Buildings and improvements	(29,571,952)	(2,193,328)	7,270	(31,758,010)
Office equipment and machinery	(3,519,719)	(557,405)	-	(4,077,124)
Furniture and fixtures	(550,246)	(50,514)	-	(600,760)
Equipment, machinery, and tools	(3,564,836)	(443,700)	-	(4,008,536)
Automotive equipment	(5,085,151)	(718,997)	454,838	(5,349,310)
Infrastructure	(86,620,071)	(4,487,795)	-	(91,107,866)
Total accumulated depreciation	<u>(128,911,975)</u>	<u>(8,451,739)</u>	<u>462,108</u>	<u>(136,901,606)</u>
Total capital assets, being depreciated, net	<u>188,322,460</u>	<u>(2,014,427)</u>	<u>-</u>	<u>186,308,033</u>
Governmental Activities Capital Assets, net	<u>\$ 298,698,689</u>	<u>\$ 7,377,960</u>	<u>\$ (4,346,232)</u>	<u>\$ 301,730,417</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
<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	207,772	39,257	-	247,029
Automotive equipment	<u>5,179,090</u>	<u>1,720,184</u>	<u>(1,580,691)</u>	<u>5,318,583</u>
Total capital assets, being depreciated	<u>7,336,755</u>	<u>1,759,441</u>	<u>(1,580,691)</u>	<u>7,515,505</u>
Less accumulated depreciation for:				
Buildings and improvements	(753,661)	(62,868)	-	(816,529)
Equipment, machinery, and tools	(28,846)	(21,056)	-	(49,902)
Automotive equipment	<u>(2,876,138)</u>	<u>(414,424)</u>	<u>1,580,691</u>	<u>(1,709,871)</u>
Total accumulated depreciation	<u>(3,658,645)</u>	<u>(498,348)</u>	<u>1,580,691</u>	<u>(2,576,302)</u>
Total capital assets, being depreciated, net	<u>3,678,110</u>	<u>1,261,093</u>	<u>-</u>	<u>4,939,203</u>
Municipal Transit Enterprise Fund Capital Assets, net	<u>\$ 3,874,216</u>	<u>\$ 1,261,093</u>	<u>\$ -</u>	<u>\$ 5,135,309</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Sewer Service Enterprise Fund				
Capital assets, not depreciated:				
Construction in progress	\$ 1,633,364	\$ 1,622,503	\$ (3,061,738)	\$ 194,129
Total capital assets, not depreciated	<u>1,633,364</u>	<u>1,622,503</u>	<u>(3,061,738)</u>	<u>194,129</u>
Capital assets, being depreciated:				
Buildings and improvements	28,042	-	-	28,042
Office equipment and machinery	710,511	10,863	-	721,374
Furniture and fixtures	53,015	-	-	53,015
Equipment, machinery, and tools	743,785	28,435	-	772,220
Automotive equipment	1,515,511	-	-	1,515,511
Sewer plant and lines	52,212,306	3,061,738	-	55,274,044
Capacity rights	31,788,067	2,103,184	-	33,891,251
Total capital assets, being depreciated	<u>87,051,237</u>	<u>5,204,220</u>	<u>-</u>	<u>92,255,457</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,042)	-	-	(28,042)
Office equipment and machinery	(477,474)	(38,242)	-	(515,716)
Furniture and fixtures	(14,113)	(2,722)	-	(16,835)
Equipment, machinery, and tools	(292,070)	(48,436)	-	(340,506)
Automotive equipment	(971,375)	(147,952)	-	(1,119,327)
Sewer plant and lines	(22,322,051)	(1,017,976)	-	(23,340,027)
Capacity rights	(24,287,492)	(712,031)	-	(24,999,523)
Total accumulated depreciation	<u>(48,392,617)</u>	<u>(1,967,359)</u>	<u>-</u>	<u>(50,359,976)</u>
Total capital assets, being depreciated, net	<u>38,658,620</u>	<u>3,236,861</u>	<u>-</u>	<u>41,895,481</u>
Sewer Service Enterprise Fund				
Capital Assets, net	<u>\$ 40,291,984</u>	<u>\$ 4,859,364</u>	<u>\$ (3,061,738)</u>	<u>\$ 42,089,610</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Total Business-type Activities				
Capital assets, not depreciated:				
Land	\$ 196,106	\$ -	\$ -	\$ 196,106
Construction in progress	1,633,364	1,622,503	(3,061,738)	194,129
Total capital assets, not depreciated	1,829,470	1,622,503	(3,061,738)	390,235
Capital assets, being depreciated:				
Buildings and improvements	1,976,435	-	-	1,976,435
Office equipment and machinery	710,511	10,863	-	721,374
Furniture and fixtures	54,515	-	-	54,515
Equipment, machinery, and tools	951,557	67,692	-	1,019,249
Automotive equipment	6,694,601	1,720,184	(1,580,691)	6,834,094
Sewer plant and lines	52,212,306	3,061,738	-	55,274,044
Capacity rights	31,788,067	2,103,184	-	33,891,251
Total capital assets, being depreciated	94,387,992	6,963,661	(1,580,691)	99,770,962
Less accumulated depreciation for:				
Buildings and improvements	(781,703)	(62,868)	-	(844,571)
Office equipment and machinery	(477,474)	(38,242)	-	(515,716)
Furniture and fixtures	(14,113)	(2,722)	-	(16,835)
Equipment, machinery, and tools	(320,916)	(69,492)	-	(390,408)
Automotive equipment	(3,847,513)	(562,376)	1,580,691	(2,829,198)
Sewer plant and lines	(22,322,051)	(1,017,976)	-	(23,340,027)
Capacity rights	(24,287,492)	(712,031)	-	(24,999,523)
Total accumulated depreciation	(52,051,262)	(2,465,707)	1,580,691	(52,936,278)
Total capital assets, being depreciated, net	42,336,730	4,497,954	-	46,834,684
Business-type Activities				
Capital Assets, net	\$ 44,166,200	\$ 6,120,457	\$ (3,061,738)	\$ 47,224,919

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

General government	\$	301,451
Community development		40,144
Public safety		785,604
Public works		5,998,240
Recreation and social services		609,289
Internal service funds		717,011
Total	\$	<u>8,451,739</u>

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

Municipal transit	\$	498,348
Sewer service		1,967,359
Total	\$	<u>2,465,707</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 5 - CONSTRUCTION COMMITMENTS

As of June 30, 2020, 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	1,784,984	175,016
Temple Hills Pedestrian Improvements	1,138,100	921,475	216,625
South Main Beach Restroom Design	700,000	239,491	460,509
Riddle Field Park Renovation	672,400	100,698	571,702
Pearl Street Beach Access	1,831,775	1,403,648	428,127
Anita Beach Stairs Replacement	700,000	79,761	620,239
Laguna Canyon Channel Rehabilitation	2,136,042	1,220,075	915,967
Creek Erosion Protection	1,249,000	557,407	691,593
Parks Rehabilitation-Moulton, Alta, Lang	3,536,900	1,784,914	1,751,986
DeWitt Property Habitat Restoration	560,000	549,235	10,765
Village Entrance Project	19,554,213	18,375,523	1,178,689
Coast Highway Intersection Improvements	740,000	672,225	67,775
LCR Master Plan Utility Undergrounding	3,040,100	844,092	2,196,008
Laguna Channel Capacity Improv	300,000	218,686	81,314
Jasmine St Storm Drain Design	1,370,600	177,647	1,192,953
Oriole Dr Storm Drain	100,000	22,718	77,282
Summit Dr Drain Construction	715,500	53,351	662,150
Alisos Av Storm Drain Constr.	200,000	98,365	101,635
Slope Repair-862 Summit Dr	150,000	40,157	109,843
Storm Drain-Bolsa Way/St. Ann's	150,000	87,502	62,499
Stairway repl-Cliff/High	470,000	328,903	141,097
Retaining Wall-870 Baja	200,000	42,224	157,776
Ramona Alley Dec Paving	100,000	33,526	66,474
Tenant Improvements-City Bldg	600,000	233,188	366,812
Bluebird Cyn Rehab Project	300,000	180,852	119,148
Coast Highway Intersection Imp	390,000	125,669	264,331
Citywide Storm Damage Slope St	200,000	17,623	182,377
Temple Hills Drive Resurfacing	750,000	61,638	688,362
Streets Slurry Seal FY19-20	200,000	8,460	191,540
	\$ 44,014,630	\$ 30,264,036	\$ 13,750,595

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

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 \$7,594,061 is reported in the Insurance and Employee Benefits Internal Service Fund, at June 30, 2020. Changes in the Insurance and Employee Benefits Internal Service Fund's claims liability amounts in fiscal years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Beginning of year liability	\$ 7,614,963	\$ 6,722,164
Current year claims as changes in estimates	2,205,172	4,113,219
Claims payments	<u>(2,226,074)</u>	<u>(3,220,420)</u>
Insurance claims payable	<u>\$ 7,594,061</u>	<u>\$ 7,614,963</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, 2020

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 and 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, 2020, special assessment debt outstanding was:

<u>District</u>	Principal Outstanding June 30, 2020
AD 09-1	\$ 4,250,000
RAD 12-1	530,000
AD 13-1	494,007
AD 13-6	340,000
RAD 14-3	722,877
AD 15-2	139,000
AD 14-2	598,000
Total	<u>\$ 7,073,884</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, 2020, 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, 2023. Total expenditures under this lease were \$32,066 for the year ended June 30, 2020. The minimum future rental payments under this lease are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 32,547
2022	33,035
2023	33,530
Total	<u>\$ 99,112</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

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, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 3,982,727	\$ 2,847,603	\$ (2,638,751)	\$ 4,191,579	\$ 838,316	\$ 3,353,263
Insurance claims payable	7,614,963	2,205,172	(2,226,074)	7,594,061	2,278,218	5,315,843
Total Governmental Activities	<u>\$ 11,597,690</u>	<u>\$ 5,052,775</u>	<u>\$ (4,864,825)</u>	<u>\$ 11,785,640</u>	<u>\$ 3,116,534</u>	<u>\$ 8,669,106</u>
Business-type Activities:						
Municipal Transit Fund:						
Capital leases	-	1,720,184	(247,578)	1,472,606	276,152	1,196,454
Compensated absences	20,024	11,522	(10,304)	21,242	4,248	16,994
Total Municipal Transit Fund	<u>20,024</u>	<u>1,731,706</u>	<u>(257,882)</u>	<u>1,493,848</u>	<u>280,400</u>	<u>1,213,448</u>
Sewer Service Fund:						
Compensated absences	64,834	125,513	(91,716)	98,631	19,726	78,905
<i>Direct borrowings and direct placements:</i>						
I-Bank installment agreement	2,295,678	-	(434,742)	1,860,936	446,610	1,414,326
I-Bank installment agreement	4,000,000	-	(153,237)	3,846,763	158,447	3,688,316
I-Bank installment agreement	4,456,000	-	-	4,456,000	169,882	4,286,118
Total Sewer Service Fund	<u>10,816,512</u>	<u>125,513</u>	<u>(679,695)</u>	<u>10,262,330</u>	<u>794,665</u>	<u>9,467,665</u>
Total Business-type Activities	<u>\$ 10,836,536</u>	<u>\$ 1,857,219</u>	<u>\$ (937,577)</u>	<u>\$ 11,756,178</u>	<u>\$ 1,075,065</u>	<u>\$ 10,681,113</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.

Capital Leases

The City entered into capital leases with Wells Fargo for the purchase of eight propane trolleys for a total of \$1,720,184. The trolleys serve as security for the required lease payments. Rental payments commence on August 31, 2019 and end on July 31, 2025 with monthly payments totaling \$25,616 and an annual interest rate of 2.32%. At the expiration of the lease term, the City may purchase the trolleys at a price equal to the then fair market value of the equipment or renew the lease for the then fair market rental value of the equipment. Should the lease be terminated early, a set fee, depending on the date of early termination, is required in addition to returning the trolleys.

Capital assets under these leases have a cost of \$1,720,184 and accumulated depreciation of \$161,415 as of June 30, 2020.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

Future payment required under the capital leases are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2021	\$ 276,152	\$ 31,240	\$ 307,392
2022	282,627	24,765	307,392
2023	289,254	18,138	307,392
2024	296,037	11,355	307,392
2025	302,979	4,413	307,392
2026	25,557	56	25,613
	<u>\$ 1,472,606</u>	<u>\$ 89,967</u>	<u>\$ 1,562,573</u>

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, 2020, 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, 2020, the outstanding principal amount was \$1,860,936. Total revenue available from the Sewer Service Fund for debt service is \$8,626,052 and total debt service, including interest, was \$491,480.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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>\$ 1,860,936</u>	<u>\$ 103,316</u>	<u>\$ 1,964,252</u>

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

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, 2020, \$1,439,396 of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$2,560,604 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, 2020, the outstanding principal amount was \$3,846,763. Total revenue available from the Sewer Service Fund for debt service is \$8,626,052 and total debt service, including interest, was \$286,632.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2020 are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2021	\$ 158,447	\$ 128,096	\$ 286,543
2022	163,834	122,618	286,452
2023	169,405	116,953	286,358
2024	175,164	11,095	186,259
2025	181,120	105,038	286,158
2026 - 2030	1,002,267	426,880	1,429,147
2031 - 2035	1,184,639	241,407	1,426,046
2036 - 2038	811,887	42,021	853,908
	<u>\$ 3,846,763</u>	<u>\$ 1,194,108</u>	<u>\$ 5,040,871</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

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, 2020, \$44,560 of the loan proceeds were disbursed under the loan agreement, and accordingly, a receivable in the amount of \$4,411,440 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, 2020, the outstanding principal amount was \$4,456,000. Total revenue available from the Sewer Service Fund for debt service is \$8,626,052 and total debt service, including interest, was \$0.

The annual payment amounts required to retire the Sales Agreement as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
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	194,568	125,691	320,259
2026 - 2030	1,078,280	521,192	1,599,472
2031 - 2035	1,277,568	318,466	1,596,034
2036 - 2039	1,190,073	83,855	1,273,928
	<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 Cigna 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.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Plan Description (Continued)

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 2019-2020, age-adjusted premiums contributed by the City totaled \$158,527.

Employees Covered

As of the June 30, 2020 measurement date, membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	28
Active employees	268
Total	<u>296</u>

Total OPEB Liability

The City’s total OPEB liability of \$3,122,463 was measured as of June 30, 2020, was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2020 using standard update procedures, and is included in the government-wide financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred Outflows - OPEB	<u>\$ 665,558</u>	<u>\$ 40,109</u>	<u>\$ 705,667</u>
Total OPEB liabilities	<u>\$ 2,944,861</u>	<u>\$ 177,602</u>	<u>\$ 3,122,463</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.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	2.45%
Inflation	3.00%
Projected Salary Increase	3.00%
Investment Rate of Return	(1)
	5.80% for 2020 decreasing by decrements of 0.10% annually until the final rate of 5.00% in
Healthcare Cost Trend Rates	2028 and later years
Mortality	(2)

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

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 was based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. "High quality" is defined as being rated AA or higher (or an equivalent rating). The municipal bond rate utilized was 2.45% and was determined using the Fidelity AA Municipal Bond 20-Year High Grade rate index as of June 30, 2020.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

Changes in Total OPEB Liability

The change in the total OPEB liability were as follows:

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at June 30, 2019 (Measurement Date)	<u>\$ 2,860,282</u>
Changes in the Year:	
Service cost	132,120
Interest on the total OPEB liability	91,200
Changes in assumptions	197,388
Benefit payments	<u>(158,527)</u>
Net Changes	<u>262,181</u>
 Balance at June 30, 2020 (Measurement Date)	 <u><u>\$ 3,122,463</u></u>

Change of Assumptions

The discount rate was decreased from 3.13% for the measurement period ended June 30, 2019 to 2.45% for the measurement period ended June 30, 2020 to update the municipal bond rate.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

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 (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total OPEB Liability	3,453,501	3,122,463	2,839,010

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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 (4.80% decreasing to 4.00%)	Healthcare Cost Trend Rates (5.80% decreasing to 5.00%)	1% Increase (6.80% decreasing to 6.00%)
Total OPEB Liability	\$ 2,743,294	\$ 3,122,463	\$ 3,583,535

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$341,809. At June 30, 2020, 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	\$ 408,380	\$ -
Change in assumptions	297,287	-
Total	\$ 705,667	\$ -

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
2021	\$ 118,489
2022	118,489
2023	118,489
2024	118,489
2025	118,489
Thereafter	113,222

Payable to the OPEB Plan

At June 30, 2020, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 12 - FUND BALANCES

Fund balances are classified as follows:

	General Fund*	Major Fund Assessment Districts Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$ 63,080	\$ -	\$ -	\$ 63,080
Prepays	4,207,979	-	2,388,177	6,596,156
Total Nonspendable	<u>4,271,059</u>	<u>-</u>	<u>2,388,177</u>	<u>6,659,236</u>
Restricted:				
Parking in-lieu	957	-	-	957
Park in-lieu	683,771	-	-	683,771
Art in-lieu	367,166	-	-	367,166
Drainage	78,808	-	-	78,808
Housing in-lieu	830,265	-	-	830,265
Transportation infrastructure	75,803	-	-	75,803
Street lighting district	-	-	6,892,006	6,892,006
Gas tax	-	-	2,186,264	2,186,264
Public safety	-	-	8,908	8,908
Assessment district improvements	-	1,440,047	-	1,440,047
Total Restricted	<u>2,036,770</u>	<u>1,440,047</u>	<u>9,087,178</u>	<u>12,563,995</u>
Committed:				
Solid waste	195,562	-	-	195,562
Measure LL	685,788	-	-	685,788
Repair of public facilities and natural disaster	-	-	6,571,876	6,571,876
Total Committed	<u>881,350</u>	<u>-</u>	<u>6,571,876</u>	<u>7,453,226</u>
Assigned:				
General government	453,931	-	-	453,931
Community development	35,572	-	-	35,572
Public safety	1,192,423	-	-	1,192,423
Public works	193,287	-	-	193,287
Recreation and social services	61,989	-	-	61,989
Open space	431,787	-	-	431,787
Parking authority	5,386,458	-	-	5,386,458
Capital projects	30,782,003	-	-	30,782,003
Total Assigned	<u>38,537,450</u>	<u>-</u>	<u>-</u>	<u>38,537,450</u>
Unassigned ⁺	<u>23,406,015</u>	<u>-</u>	<u>(275,872)</u>	<u>23,130,143</u>
Total Fund Balance	<u>\$ 69,132,644</u>	<u>\$ 1,440,047</u>	<u>\$ 17,771,359</u>	<u>\$ 88,344,050</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

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, 2019, (the most recent information available), SOCWA had total assets and deferred outflows of resources of \$165,176,621, total liabilities and deferred inflows or resources of \$27,710,808, and total net position of \$137,465,813. 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 \$2,397,860 and \$2,487,677 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, 2020 is presented below:

	Safety Plan	Miscellaneous Plan	Total
Deferred Outflows - Pensions	\$ 9,564,106	\$ 4,317,069	\$ 13,881,175
Net Pension Liability	(39,247,379)	(27,888,519)	(67,135,898)
Deferred Inflows - Pensions	(1,091,015)	(768,498)	(1,859,513)
Pension Expense	8,569,315	6,449,895	15,019,210

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension amounts are reported in the financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred Outflows - Pensions	\$ 13,261,798	\$ 619,377	\$ 13,881,175
Net Pension Liability	(63,809,564)	(3,326,334)	(67,135,898)
Deferred Inflows - Pensions	(1,796,871)	(62,642)	(1,859,513)

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, 2020

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, 2019, 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	21.927%	20.073%	13.034%
Payment of unfunded liability	\$ 1,242,965	\$ 946	\$ 1,198

	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	21.927%	20.073%	13.034%
Payment of unfunded liability	\$ 1,020,384	\$ 2,686	\$ 2,088

	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	20.073%	N/A	13.034%
Payment of unfunded liability	\$ 98,373	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, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	2.5%	2%
Required employee contribution rates	8%	6.25%
Required employer contribution rates		
Normal cost rate	10.492%	6.25%
Payment of unfunded liability	\$ 1,973,356	\$ -

Employees Covered

As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	235
Inactive employees entitled to but not yet receiving benefits	168
Active employees	164
Total	<u>567</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, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Contributions (Continued)

Contributions to the pension plans totaled \$5,013,694 for the Safety Plan and \$3,565,431 for the Miscellaneous Plan, including contributions by Safety Plans as follows, for the year ended June 30, 2020:

	Police	Safety Fire	Lifeguard	Total
Contributions - employer	\$ 2,539,217	\$ 2,210,972	\$ 263,505	\$ 5,013,694

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, 2020, the City reported a net pension liability for its proportionate share of the collective net pension liability of the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety Plan	\$ 39,247,379

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

Proportion - June 30, 2018	Safety 0.62522%
Proportion - June 30, 2019	0.62871%
Change - Increase (Decrease)	0.00349%

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

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, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following actuarial assumptions:

	Safety		
	Police	Fire	Lifeguard
Valuation Date	June 30, 2018	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019	June 30, 2019
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 probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% 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, 2020

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, 2018
Measurement Date	June 30, 2019
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 Increase	(3)

- (1) Varies by entry age and service.
- (2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
- (3) The less of contract COLA or 2.50% 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, 2020

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:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return 1 - 10 Years (b)</u>	<u>Real Rate of Return 11+ Years (c)</u>
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	<u>100.00%</u>		

- (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, 2020

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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2019, was \$27,888,519. The changes in the Net Pension Liability for the Miscellaneous Plan follows:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018 (Measurement Date)	<u>\$ 116,459,646</u>	<u>\$ 89,615,042</u>	<u>\$ 26,844,604</u>
Changes in the Year:			
Service cost	2,730,589	-	2,730,589
Interest on the total pension liability	8,297,037	-	8,297,037
Differences between actual and expected experience	1,028,702	-	1,028,702
Contribution - employer	-	3,916,164	(3,916,164)
Contribution - employee	-	1,259,992	(1,259,992)
Net investment income	-	5,900,000	(5,900,000)
Administrative expenses	-	(63,743)	63,743
Benefit payments, including refunds of employee contributions	(5,622,361)	(5,622,361)	-
Net Changes	<u>6,433,967</u>	<u>5,390,052</u>	<u>1,043,915</u>
Balance at June 30, 2019 (Measurement Date)	<u>\$ 122,893,613</u>	<u>\$ 95,005,094</u>	<u>\$ 27,888,519</u>

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

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, 2020, the City recognized pension expense of \$8,569,315 for the Safety Plan. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,013,694	\$ -
Differences between actual contributions and proportionate share of contributions and changes in proportions	379,230	(237,168)
Net differences between projected and actual earnings on plan investments	-	(539,914)
Change in assumptions	1,608,682	(313,933)
Differences between expected and actual experience	2,562,500	-
Total	<u>\$ 9,564,106</u>	<u>\$ (1,091,015)</u>

The amount of \$5,013,694, 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, 2021. 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 2,878,243
2022	43,818
2023	432,286
2024	105,050
2025	-
Thereafter	-

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

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, 2020, the City recognized pension expense of \$6,449,895 for the Miscellaneous Plan. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,565,431	\$ -
Change in assumptions	-	(259,063)
Differences between expected and actual experience	751,638	-
Net differences between projected and actual earnings on plan investments	-	(509,435)
Total	<u>\$ 4,317,069</u>	<u>\$ (768,498)</u>

The amount of \$3,565,431, 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, 2021. Differences between projected and actual investment earnings are amortized on a 5-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 403,031
2022	(376,248)
2023	(138,886)
2024	95,243
2025	-
Thereafter	-

CITY OF LAGUNA BEACH, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

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	\$ 61,408,588	\$ 39,247,379	\$ 21,078,660
Miscellaneous Plan's net pension liability	\$ 43,634,390	\$ 27,888,519	\$ 14,819,758

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, 2020, the City had no outstanding amount of contributions to the Safety or Miscellaneous pension plans required for the year ended June 30, 2020.

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 \$16,391,718 with a cost of \$19,399,882 and accumulated depreciation of \$3,008,164. 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, 2020

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 \$253,440.

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		\$ 3,719,147
Less: Depreciation		<u>(498,348)</u>
Net Operating Costs		3,220,799
50% Limitation		1,610,400

TDA Financial Need Limitation:

Total Operating Costs		3,719,147
Depreciation	\$ (498,348)	
OCTA Operating Assistance	(317,535)	
CARES Federal Funding	(599,381)	
Passenger Revenues	(114,800)	
Project "V" Grant	(209,676)	
Park and Ride	<u>(139,177)</u>	<u>(1,878,917)</u>

Financial Need 1,840,230

Lesser of "Financial Need" or "50% Limitation" \$ 1,610,400

TDA Allocation 1,114,503

Under (Over) Allocation 495,897

For the year ended June 30, 2020, the City recognized \$1,114,503 of revenues pursuant to the TDA requirements, which was less than the limit of \$1,610,400. This amount, along with \$1,789,014 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, 2020

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 \$493,014, for the year ended June 30, 2020. 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

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus (the "COVID-19 outbreak") and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The City's operations are heavily dependent on the ability to raise sales taxes, property taxes and transient occupancy taxes and assess business licenses, developer fees and construction permits. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress the tax bases and other areas in which the City received revenue during fiscal year 2021. The outbreak could also have other potential impacts, including disruptions or restrictions on employees' ability to work. As such, this may hinder the liability for the City to meet the needs of its constituents. The City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have an effect on the City's results of future operations and financial position in fiscal year 2021.

CITY OF LAGUNA BEACH, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

NOTE 19 - DEFICIT FUND BALANCES

The Non-Major COVID-19 Special Revenue Fund has a deficit of \$275,872, which will be funded with the next fiscal year's receipt of CARES-Act funds.

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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>2020</u>
Measurement period	June 30, 2019
Plan's proportion of the net pension liability	0.62871%
Plan's proportionate share of the net pension liability	\$ 39,247,379
Plan's covered payroll	\$ 12,246,434
Plan's proportionate share of the net pension liability as a percentage of covered payroll	320.48%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%

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.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

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

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	0.62522%	0.62430%	0.64676%	0.64916%	0.61018%
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%

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.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

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

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

	2020
Contractually required contribution (actuarially determined)	\$ 5,013,694
Contributions in relation to the actuarially determined contributions	(5,013,694)
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 12,906,341
Contributions as a percentage of covered payroll	38.85%

Notes to Schedule:

Valuation Date	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Fair Value

Inflation	2.625%
Salary increases	(2)
Investment rate of return	7.25% (3)
Retirement age	(4)
Mortality	(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 six 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	Fair Value	Fair Value	Fair Value	Fair 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 six 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>2020</u> June 30, 2019
Total Pension Liability:	
Service cost	\$ 2,730,589
Interest on total pension liability	8,297,037
Differences between actual and expected experience	1,028,702
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(5,622,361)</u>
Net Change in Total Pension Liability	6,433,967
Total Pension Liability - Beginning of Year	<u>116,459,646</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 122,893,613</u></u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 3,916,164
Contributions - employee	1,259,992
Net investment income	5,900,000
Administrative expenses	(63,743)
Benefit payments	<u>(5,622,361)</u>
Net Change in Plan Fiduciary Net Position	5,390,052
Plan Fiduciary Net Position - Beginning of Year	<u>89,615,042</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 95,005,094</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 27,888,519</u></u>
Plan fiduciary net position as a percentage of the total pension liability	77.31%
Covered payroll	\$ 14,419,732
Net pension liability as percentage of covered payroll	193.41%

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, 2018 to June 30, 2019:

There were no significant 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, 2019 to June 30, 2020:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six 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
Total Pension Liability:					
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>
Net Change in Total Pension Liability	4,567,114	10,559,963	4,283,091	3,070,098	5,078,834
Total Pension Liability - Beginning of Year	<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>
Total Pension Liability - End of Year (a)	<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>
Plan Fiduciary Net Position:					
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>
Net Change in Plan Fiduciary Net Position	6,338,275	8,082,167	554,523	1,712,006	10,537,849
Plan Fiduciary Net Position - Beginning of Year	<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>
Plan Fiduciary Net Position - End of Year (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>
Net Pension Liability - Ending (a)-(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, 2018 to June 30, 2019:

There were no significant 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, 2019 to June 30, 2020:

There were no changes in assumptions.

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

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

	2020
Contractually required contribution (actuarially determined)	\$ 3,565,431
Contributions in relation to the actuarially determined contributions	(3,565,431)
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 14,862,746
Contributions as a percentage of covered payroll	23.99%

Notes to Schedule:

Valuation Date	6/30/2017
----------------	-----------

Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Market Value
Inflation	2.625%
Salary increases	(2)
Investment rate of return	7.25% (3)
Retirement age	(4)
Mortality	(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 six 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
----------------	-----------	-----------	-----------	-----------	-----------

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 six 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>2020</u>	<u>2019</u>	<u>2018</u>
Measurement date	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability:			
Service cost	\$ 132,120	\$ 121,627	\$ 72,904
Interest	91,200	93,555	72,208
Changes of assumptions	197,388	169,739	-
Differences between expected and actual experience	-	549,200	-
Benefit payments, including refunds of employee contributions	<u>(158,527)</u>	<u>(133,701)</u>	<u>(158,500)</u>
Net Change in Total OPEB Liability	262,181	800,420	(13,388)
Total OPEB Liability - Beginning of Year	<u>2,860,282</u>	<u>2,059,862</u>	<u>2,073,250</u>
Total OPEB Liability - End of Year (a)	<u>\$ 3,122,463</u>	<u>\$ 2,860,282</u>	<u>\$ 2,059,862</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 32,214,300	\$ 31,151,981	\$ 29,131,464
Total OPEB liability as percentage of covered-employee payroll	9.69%	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%

June 30, 2019 to June 30, 2020:

The discount rate was lowered from 3.13% to 2.45% from June 30, 2019 to June 30, 2020.

* Fiscal year 2018 was the first year of implementation; therefore, only three 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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 39,374,000	\$ 39,374,000	\$ 40,003,598	\$ 629,598
Sales and use taxes	6,005,000	6,005,000	5,125,524	(879,476)
Transient lodging taxes	8,110,000	8,110,000	5,747,515	(2,362,485)
Franchise taxes	1,250,000	1,250,000	1,189,133	(60,867)
Business license taxes	960,000	960,000	948,662	(11,338)
Total Taxes	<u>55,699,000</u>	<u>55,699,000</u>	<u>53,014,432</u>	<u>(2,684,568)</u>
Licenses and permits:				
Construction permits	1,426,000	1,426,000	1,154,710	(271,290)
Other	34,000	34,000	37,634	3,634
Total Licenses and Permits	<u>1,460,000</u>	<u>1,460,000</u>	<u>1,192,344</u>	<u>(267,656)</u>
Fines and penalties	25,000	25,000	11,100	(13,900)
Investment income, net	1,100,000	1,100,000	2,975,275	1,875,275
Rental	447,000	447,000	448,319	1,319
Intergovernmental	1,373,500	5,392,296	1,088,446	(4,303,850)
Charges for services:				
Planning and zoning fees	2,003,000	2,003,000	1,527,287	(475,713)
Building department fees	439,000	439,000	292,134	(146,866)
Refuse service charges	2,250,000	2,250,000	2,222,715	(27,285)
Medical fees	142,000	142,000	43,682	(98,318)
Parks and recreation fees	4,085,000	4,085,000	2,718,915	(1,366,085)
Other	452,000	626,000	567,410	(58,590)
Total Charges for Services	<u>9,371,000</u>	<u>9,545,000</u>	<u>7,372,143</u>	<u>(2,172,857)</u>
Parking meters, lots, and permits	500	500	680	180
Other:				
Reimbursed expenditures	333,000	365,900	261,550	(104,350)
Miscellaneous	67,000	85,400	158,635	73,235
Total Other	<u>400,000</u>	<u>451,300</u>	<u>420,185</u>	<u>(31,115)</u>
Total Revenues	<u>69,876,000</u>	<u>74,120,096</u>	<u>66,522,924</u>	<u>(7,597,172)</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, 2020
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
General government:				
City Council	\$ 97,600	\$ 107,200	\$ 76,806	\$ 30,394
City Manager	914,900	922,100	843,494	78,606
City Clerk	419,100	412,000	395,827	16,173
City Treasurer	180,600	177,400	174,500	2,900
City Attorney	800,000	969,300	818,972	150,328
Administrative services	4,330,600	8,762,600	3,819,998	4,942,602
Total General Government	<u>6,742,800</u>	<u>11,350,600</u>	<u>6,129,597</u>	<u>5,221,003</u>
Community development	<u>6,785,100</u>	<u>7,260,800</u>	<u>6,245,015</u>	<u>1,015,785</u>
Public safety:				
Police protection	18,418,800	22,000,863	18,412,875	3,587,988
Fire protection	13,299,600	19,595,250	13,777,332	5,817,918
Marine safety	3,098,300	3,087,300	3,083,045	4,255
Total Public Safety	<u>34,816,700</u>	<u>44,683,413</u>	<u>35,273,252</u>	<u>9,410,161</u>
Public works	<u>13,314,800</u>	<u>18,264,295</u>	<u>12,205,704</u>	<u>6,058,591</u>
Recreation and social services	<u>6,630,500</u>	<u>7,999,064</u>	<u>5,033,834</u>	<u>2,965,230</u>
Capital outlay	<u>841,200</u>	<u>2,055,240</u>	<u>1,122,385</u>	<u>932,855</u>
Total Expenditures	<u>69,131,100</u>	<u>91,613,412</u>	<u>66,009,787</u>	<u>25,603,625</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>744,900</u>	<u>(17,493,316)</u>	<u>513,137</u>	<u>18,006,453</u>
Other Financing Sources (Uses):				
Transfers in	525,000	4,720,600	4,754,300	33,700
Transfers out	<u>-</u>	<u>(5,482,400)</u>	<u>(5,698,803)</u>	<u>(216,403)</u>
Total Other Financing Sources (Uses)	<u>525,000</u>	<u>(761,800)</u>	<u>(944,503)</u>	<u>(182,703)</u>
Net Change in Fund Balance	1,269,900	(18,255,116)	(431,366)	17,823,750
Fund Balance, Beginning of Year	<u>27,810,440</u>	<u>27,810,440</u>	<u>27,810,440</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 29,080,340</u>	<u>\$ 9,555,324</u>	<u>\$ 27,379,074</u>	<u>\$ 17,823,750</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, 2020
(Continued)

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

	General Fund
Revenues and Other Financing Sources	
Revenues from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 66,522,924
Revenues of the funds below are not inflows of budgetary resources in the General Fund's legally adopted budget, but are revenues of the General Fund for financial reporting purposes:	
Measure LL Fund	1,970,646
Capital Improvement Fund	5,792,465
Parking Authority Fund	5,908,306
Parking In-Lieu Fund	19
Park In-Lieu Fund	13,670
Art In-Lieu Fund	135,758
Drainage Fund	1,575
Housing In-Lieu Fund	10,932
Transportation Infrastructure Fund	1,516
	\$ 80,357,811
Transfers In from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 4,754,300
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:	
Capital Improvement Fund	5,500,000
Elimination of Transfers In within General Fund in accordance with GASB 54 consolidation	(9,490,800)
	\$ 763,500
Expenditures and Other Financing Uses	
Expenditures from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 66,009,787
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	1,379,509
Open Space Fund	40,886
Capital Improvement Fund	4,718,216
Parking Authority Fund	7,424,543
Art In-Lieu Fund	141,431
	\$ 79,714,372
Transfers Out from Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 5,698,803
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	700,000
Open Space Fund	300,000
Capital Improvement Fund	360,000
Parking Authority Fund	4,167,151
Art in Lieu	38,000
Elimination of Transfers Out within General Fund in accordance with GASB 54 consolidation	(9,490,800)
	\$ 1,773,154

See accompanying notes to basic financial statements.

CITY OF LAGUNA BEACH, CALIFORNIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

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 and COVID-19 Nonmajor Special Revenue Funds and the following General Fund sub-funds: Parking In-Lieu and Drainage. Appropriations lapse at fiscal year-end, except for encumbered amounts and capital expenditures which are re-appropriated in the next year's budget until such time as the project is completed or terminated.

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

Budget information is presented for the general and certain special revenue 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 \$22,482,312 were made in the General Fund.

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, 2020

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
ASSETS					
Cash and investments	\$ 28,381,289	\$ 340,535	\$ 436,541	\$ 31,083,051	\$ 6,057,114
Receivables:					
Taxes	3,391,308	378,660	-	479,191	-
Accounts	436,134	-	-	145,467	640
Interest	108,372	-	-	-	-
Intergovernmental	210,777	-	-	51,818	-
Notes	-	-	-	-	-
Prepays	1,777,215	2,430,764	-	-	-
Inventory	63,080	-	-	-	-
Due from other funds	275,872	-	-	-	-
	<u>\$ 34,644,047</u>	<u>\$ 3,149,959</u>	<u>\$ 436,541</u>	<u>\$ 31,759,527</u>	<u>\$ 6,057,754</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,851,338	\$ 1,804	\$ 4,754	\$ 977,524	\$ 371,786
Deposits	46,333	-	-	-	-
Due to other governmental agencies	-	-	-	-	-
Unearned revenue	20,778	-	-	-	299,510
Advances from other funds	2,986,120	-	-	-	-
	<u>6,904,569</u>	<u>1,804</u>	<u>4,754</u>	<u>977,524</u>	<u>671,296</u>
Deferred inflows of resources:					
Unavailable revenue	360,404	31,603	-	-	-
Fund Balances:					
Nonspendable	1,840,295	2,430,764	-	-	-
Restricted	-	-	-	-	-
Committed	195,562	685,788	-	-	-
Assigned	1,937,202	-	431,787	30,782,003	5,386,458
Unassigned	23,406,015	-	-	-	-
	<u>27,379,074</u>	<u>3,116,552</u>	<u>431,787</u>	<u>30,782,003</u>	<u>5,386,458</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 34,644,047</u>	<u>\$ 3,149,959</u>	<u>\$ 436,541</u>	<u>\$ 31,759,527</u>	<u>\$ 6,057,754</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>
\$ 957	\$ 683,771	\$ 389,166	\$ 78,808	\$ 550,644	\$ 75,803	\$ 68,077,679
-	-	-	-	-	-	4,249,159
-	-	-	-	-	-	582,241
-	-	-	-	-	-	108,372
-	-	-	-	-	-	262,595
-	-	-	-	348,000	-	348,000
-	-	-	-	-	-	4,207,979
-	-	-	-	-	-	63,080
-	-	-	-	-	-	275,872
<u>\$ 957</u>	<u>\$ 683,771</u>	<u>\$ 389,166</u>	<u>\$ 78,808</u>	<u>\$ 898,644</u>	<u>\$ 75,803</u>	<u>\$ 78,174,977</u>
\$ -	\$ -	\$ 22,000	\$ -	\$ -	\$ -	\$ 5,229,206
-	-	-	-	-	-	46,333
-	-	-	-	68,379	-	68,379
-	-	-	-	-	-	320,288
-	-	-	-	-	-	2,986,120
-	-	22,000	-	68,379	-	8,650,326
-	-	-	-	-	-	392,007
-	-	-	-	-	-	4,271,059
957	683,771	367,166	78,808	830,265	75,803	2,036,770
-	-	-	-	-	-	881,350
-	-	-	-	-	-	38,537,450
-	-	-	-	-	-	23,406,015
<u>957</u>	<u>683,771</u>	<u>367,166</u>	<u>78,808</u>	<u>830,265</u>	<u>75,803</u>	<u>69,132,644</u>
<u>\$ 957</u>	<u>\$ 683,771</u>	<u>\$ 389,166</u>	<u>\$ 78,808</u>	<u>\$ 898,644</u>	<u>\$ 75,803</u>	<u>\$ 78,174,977</u>

CITY OF LAGUNA BEACH
General Fund
Consolidating Schedule of Revenues, Expenditures and Changes in Fund Balances by Sub-Fund
Year Ended June 30, 2020

	General	Measure LL	Open Space	Capital Improvement	Parking Authority
Revenues:					
Taxes	\$ 53,014,432	\$ 1,951,428	\$ -	\$ 4,627,309	\$ -
Licenses and permits	1,192,344	-	-	-	-
Fines and penalties	11,100	-	-	926,460	-
Investment income, net	2,975,275	19,218	-	-	-
Rental	448,319	-	-	-	-
Intergovernmental	1,088,446	-	-	43,442	-
Charges for services	7,372,143	-	-	2,880	-
Parking meters, lots, and permits	680	-	-	-	5,908,306
Development tax	-	-	-	126,633	-
Other	420,185	-	-	65,741	-
Total Revenues	66,522,924	1,970,646	-	5,792,465	5,908,306
Expenditures:					
Current:					
General government	6,129,597	-	-	-	-
Community development	6,245,015	-	-	-	-
Public safety	35,273,252	1,067,661	-	-	912,303
Public works	12,205,704	311,848	-	26,601	2,535,618
Recreation and social services	5,033,834	-	-	-	-
Capital outlay	1,122,385	-	40,886	4,691,615	3,976,622
Total Expenditures	66,009,787	1,379,509	40,886	4,718,216	7,424,543
Excess (Deficiency) of Revenues Over (Under) Expenditures	513,137	591,137	(40,886)	1,074,249	(1,516,237)
Other Financing Sources (Uses):					
Transfers in	4,754,300	-	-	5,500,000	-
Transfers out	(5,698,803)	(700,000)	(300,000)	(360,000)	(4,167,151)
Total Other Financing Sources (Uses)	(944,503)	(700,000)	(300,000)	5,140,000	(4,167,151)
Net Change in Fund Balances	(431,366)	(108,863)	(340,886)	6,214,249	(5,683,388)
Fund Balances, Beginning of Year	27,810,440	3,225,415	772,673	24,567,754	11,069,846
Fund Balances, End of Year	\$ 27,379,074	\$ 3,116,552	\$ 431,787	\$ 30,782,003	\$ 5,386,458

Parking In-Lieu	Park In-Lieu	Art In-Lieu	Drainage	Housing In-Lieu	Transportation Infrastructure	Eliminations (1)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,593,169
-	-	-	-	-	-	-	1,192,344
-	-	-	-	-	-	-	937,560
19	13,670	8,069	1,575	10,932	1,516	-	3,030,274
-	-	-	-	-	-	-	448,319
-	-	100,000	-	-	-	-	1,231,888
-	-	-	-	-	-	-	7,375,023
-	-	-	-	-	-	-	5,908,986
-	-	27,150	-	-	-	-	153,783
-	-	539	-	-	-	-	486,465
<u>19</u>	<u>13,670</u>	<u>135,758</u>	<u>1,575</u>	<u>10,932</u>	<u>1,516</u>	<u>-</u>	<u>80,357,811</u>
-	-	-	-	-	-	-	6,129,597
-	-	-	-	-	-	-	6,245,015
-	-	-	-	-	-	-	37,253,216
-	-	-	-	-	-	-	15,079,771
-	-	141,431	-	-	-	-	5,175,265
-	-	-	-	-	-	-	9,831,508
<u>-</u>	<u>-</u>	<u>141,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,714,372</u>
<u>19</u>	<u>13,670</u>	<u>(5,673)</u>	<u>1,575</u>	<u>10,932</u>	<u>1,516</u>	<u>-</u>	<u>643,439</u>
-	-	-	-	-	-	(9,490,800)	763,500
-	-	(38,000)	-	-	-	9,490,800	(1,773,154)
-	-	(38,000)	-	-	-	-	(1,009,654)
19	13,670	(43,673)	1,575	10,932	1,516	-	(366,215)
<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>
<u>\$ 957</u>	<u>\$ 683,771</u>	<u>\$ 367,166</u>	<u>\$ 78,808</u>	<u>\$ 830,265</u>	<u>\$ 75,803</u>	<u>\$ -</u>	<u>\$ 69,132,644</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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 2,684,800	\$ 1,951,428	\$ (733,372)
Investment income, net	10,000	19,218	9,218
Total Revenues	<u>2,694,800</u>	<u>1,970,646</u>	<u>(724,154)</u>
Expenditures:			
Current:			
Public safety	1,102,300	1,067,661	34,639
Public works	325,600	311,848	13,752
Total Expenditures	<u>1,427,900</u>	<u>1,379,509</u>	<u>48,391</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,266,900</u>	<u>591,137</u>	<u>(675,763)</u>
Other Financing Uses:			
Transfers out	(700,000)	(700,000)	-
Total Other Financing Uses	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Net Change in Fund Balance	566,900	(108,863)	(675,763)
Fund Balance, Beginning of Year	<u>3,225,415</u>	<u>3,225,415</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,792,315</u>	<u>\$ 3,116,552</u>	<u>\$ (675,763)</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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Capital outlay	518,600	40,886	477,714
Total Expenditures	518,600	40,886	477,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	(518,600)	(40,886)	477,714
Other Financing Sources (Uses):			
Transfers in	300,000	-	(300,000)
Transfers out	(300,000)	(300,000)	-
Total Other Financing Sources (Uses)	-	(300,000)	(300,000)
Net Change in Fund Balance	(518,600)	(340,886)	177,714
Fund Balance, Beginning of Year	772,673	772,673	-
Fund Balance, End of Year	\$ 254,073	\$ 431,787	\$ 177,714

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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 5,930,000	\$ 4,627,309	\$ (1,302,691)
Fines and penalties	1,028,000	926,460	(101,540)
Intergovernmental	114,000	43,442	(70,558)
Charges for services	1,000	2,880	1,880
Development tax	150,000	126,633	(23,367)
Other	-	65,741	65,741
Total Revenues	7,223,000	5,792,465	(1,430,535)
Expenditures:			
Current:			
Public works	5,107,300	26,601	5,080,699
Capital outlay	30,434,900	4,691,615	25,743,285
Total Expenditures	35,542,200	4,718,216	30,823,984
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,319,200)	1,074,249	29,393,449
Other Financing Sources (Uses):			
Transfers in	5,500,000	5,500,000	-
Transfers out	(360,000)	(360,000)	-
Total Other Financing Sources (Uses):	5,140,000	5,140,000	-
Net Change in Fund Balance	(23,179,200)	6,214,249	29,393,449
Fund Balance, Beginning of Year	24,567,754	24,567,754	-
Fund Balance, End of Year	\$ 1,388,554	\$ 30,782,003	\$ 29,393,449

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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Parking meters, lots, and permits	\$ 6,798,000	\$ 5,908,306	\$ (889,694)
Total Revenues	<u>6,798,000</u>	<u>5,908,306</u>	<u>(889,694)</u>
Expenditures:			
Current:			
Public safety	1,068,300	912,303	155,997
Public works	3,124,000	2,535,618	588,382
Capital outlay	<u>6,347,050</u>	<u>3,976,622</u>	<u>2,370,428</u>
Total Expenditures	<u>10,539,350</u>	<u>7,424,543</u>	<u>3,114,807</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,741,350)</u>	<u>(1,516,237)</u>	<u>2,225,113</u>
Other Financing Uses:			
Transfers out	<u>(4,764,200)</u>	<u>(4,167,151)</u>	<u>597,049</u>
Total Other Financing Uses	<u>(4,764,200)</u>	<u>(4,167,151)</u>	<u>597,049</u>
Net Change in Fund Balance	(8,505,550)	(5,683,388)	2,822,162
Fund Balance, Beginning of Year	<u>11,069,846</u>	<u>11,069,846</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,564,296</u>	<u>\$ 5,386,458</u>	<u>\$ 2,822,162</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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 13,670	\$ 13,670
Total Revenues	<u>-</u>	<u>13,670</u>	<u>13,670</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>13,670</u>	<u>514,970</u>
Fund Balance, Beginning of Year	<u>670,101</u>	<u>670,101</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 168,801</u></u>	<u><u>\$ 683,771</u></u>	<u><u>\$ 514,970</u></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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 8,069	\$ 8,069
Intergovernmental	100,000	100,000	-
Development tax	-	27,150	27,150
Other	-	539	539
Total Revenues	100,000	135,758	35,758
Expenditures:			
Current:			
Recreation and social services	387,700	141,431	246,269
Total Expenditures	387,700	141,431	246,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	(287,700)	(5,673)	282,027
Other Financing Uses:			
Transfers out	(38,000)	(38,000)	-
Total Other Financing Uses	(38,000)	(38,000)	-
Net Change in Fund Balance	(325,700)	(43,673)	282,027
Fund Balance, Beginning of Year	410,839	410,839	-
Fund Balance, End of Year	\$ 85,139	\$ 367,166	\$ 282,027

CITY OF LAGUNA BEACH
General Fund Sub-Fund
Housing In-Lieu Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 10,932	\$ 10,932
Total Revenues	<u>-</u>	<u>10,932</u>	<u>10,932</u>
Expenditures:			
Capital outlay	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenditures	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net Change in Fund Balance	(100,000)	10,932	110,932
Fund Balance, Beginning of Year	<u>819,333</u>	<u>819,333</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 719,333</u>	<u>\$ 830,265</u>	<u>\$ 110,932</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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 2,000	\$ 1,516	\$ (484)
Total Revenues	<u>2,000</u>	<u>1,516</u>	<u>(484)</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,000	1,516	(484)
Fund Balance, Beginning of Year	<u>74,287</u>	<u>74,287</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 76,287</u>	<u>\$ 75,803</u>	<u>\$ (484)</u>

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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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ -	\$ 30,191	\$ 30,191
Contributions from property owners	-	522,848	522,848
Other	-	5,377	5,377
	<u>-</u>	<u>558,416</u>	<u>558,416</u>
Total Revenues	<u>-</u>	<u>558,416</u>	<u>558,416</u>
Expenditures:			
Current:			
Public works	7,000	125,235	(118,235)
Capital outlay	2,959,661	646,210	2,313,451
	<u>2,966,661</u>	<u>771,445</u>	<u>2,195,216</u>
Total Expenditures	<u>2,966,661</u>	<u>771,445</u>	<u>2,195,216</u>
Net Change in Fund Balance	(2,966,661)	(213,029)	2,753,632
Fund Balance, Beginning of Year	<u>1,653,076</u>	<u>1,653,076</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (1,313,585)</u>	<u>\$ 1,440,047</u>	<u>\$ 2,753,632</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.

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.

COVID-19 Fund

This fund is used to account for the restricted revenue received from FEMA, State CARES Act, and County CARES Act for the response to COVID-19.

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

		Special Revenue Funds		
		Gas Tax	Street Lighting District	Asset Forfeiture
ASSETS				
Cash and investments		\$ 2,089,923	\$ 5,285,238	\$ 8,908
Receivables:				
Taxes		-	23,331	-
Intergovernmental		164,318	-	-
Notes		-	119,714	-
Prepays		-	2,388,177	-
Advances to other funds		-	1,500,000	-
		-	1,500,000	-
Total Assets		\$ 2,254,241	\$ 9,316,460	\$ 8,908
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities		\$ 67,977	\$ 36,277	\$ -
Due to other funds		-	-	-
		-	-	-
Total Liabilities		67,977	36,277	-
Fund Balances:				
Nonspendable		-	2,388,177	-
Restricted		2,186,264	6,892,006	8,908
Committed		-	-	-
Unassigned		-	-	-
		-	-	-
Total Fund Balances		2,186,264	9,280,183	8,908
Total Liabilities and Fund Balances		\$ 2,254,241	\$ 9,316,460	\$ 8,908

Special Revenue Funds (Continued)		Total Nonmajor Governmental Funds
Disaster Contingency	COVID-19	
\$ 6,571,876	\$ -	\$ 13,955,945
-	-	23,331
-	-	164,318
-	-	119,714
-	-	2,388,177
-	-	1,500,000
<u>\$ 6,571,876</u>	<u>\$ -</u>	<u>\$ 18,151,485</u>
\$ -	\$ -	\$ 104,254
-	275,872	275,872
<u>-</u>	<u>275,872</u>	<u>380,126</u>
-	-	2,388,177
-	-	9,087,178
6,571,876	-	6,571,876
-	(275,872)	(275,872)
<u>6,571,876</u>	<u>(275,872)</u>	<u>17,771,359</u>
<u>\$ 6,571,876</u>	<u>\$ -</u>	<u>\$ 18,151,485</u>

CITY OF LAGUNA BEACH
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	Special Revenue Funds		
	Gas Tax	Street Lighting District	Asset Forfeiture
Revenues:			
Taxes	\$ 458,424	\$ 1,774,223	\$ -
Investment income, net	37,648	117,243	50
Intergovernmental	952,861	6,259	7,597
Total Revenues	<u>1,448,933</u>	<u>1,897,725</u>	<u>7,647</u>
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	599,276	-
Recreation and social services	-	-	-
Capital outlay	1,611,237	780,960	-
Total Expenditures	<u>1,611,237</u>	<u>1,380,236</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(162,304)</u>	<u>517,489</u>	<u>7,647</u>
Other Financing Sources (Uses):			
Transfers in	360,000	-	-
Transfers out	-	(763,500)	-
Total Other Financing Sources (Uses)	<u>360,000</u>	<u>(763,500)</u>	<u>-</u>
Net Change in Fund Balances	197,696	(246,011)	7,647
Fund Balances, Beginning of Year	<u>1,988,568</u>	<u>9,526,194</u>	<u>1,261</u>
Fund Balances, End of Year	<u>\$ 2,186,264</u>	<u>\$ 9,280,183</u>	<u>\$ 8,908</u>

Special Revenue Funds (Continued)		Total Nonmajor Governmental Funds
Disaster Contingency	COVID-19	
\$ -	\$ -	\$ 2,232,647
131,378	-	286,319
-	418,928	1,385,645
<u>131,378</u>	<u>418,928</u>	<u>3,904,611</u>
-	493,763	493,763
-	-	599,276
-	201,037	201,037
-	-	2,392,197
<u>-</u>	<u>694,800</u>	<u>3,686,273</u>
<u>131,378</u>	<u>(275,872)</u>	<u>218,338</u>
-	-	360,000
-	-	(763,500)
<u>-</u>	<u>-</u>	<u>(403,500)</u>
131,378	(275,872)	(185,162)
6,440,498	-	17,956,521
<u>\$ 6,571,876</u>	<u>\$ (275,872)</u>	<u>\$ 17,771,359</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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 492,000	\$ 458,424	\$ (33,576)
Investment income, net	10,000	37,648	27,648
Intergovernmental	876,000	952,861	76,861
Other	27,000	-	(27,000)
Total Revenues	<u>1,405,000</u>	<u>1,448,933</u>	<u>43,933</u>
Expenditures:			
Capital outlay	3,894,300	1,611,237	2,283,063
Total Expenditures	<u>3,894,300</u>	<u>1,611,237</u>	<u>2,283,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,489,300)</u>	<u>(162,304)</u>	<u>2,326,996</u>
Other Financing Sources:			
Transfers in	360,000	360,000	-
Total Other Financing Sources	<u>360,000</u>	<u>360,000</u>	<u>-</u>
Net Change in Fund Balance	(2,129,300)	197,696	2,326,996
Fund Balance, Beginning of Year	1,988,568	1,988,568	-
Fund Balance, End of Year	<u>\$ (140,732)</u>	<u>\$ 2,186,264</u>	<u>\$ 2,326,996</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, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 1,746,400	\$ 1,774,223	\$ 27,823
Investment income, net	-	117,243	117,243
Intergovernmental	8,800	6,259	(2,541)
Total Revenues	<u>1,755,200</u>	<u>1,897,725</u>	<u>142,525</u>
Expenditures:			
Current:			
Public works	1,084,600	599,276	485,324
Capital outlay	3,479,800	780,960	2,698,840
Total Expenditures	<u>4,564,400</u>	<u>1,380,236</u>	<u>3,184,164</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,809,200)</u>	<u>517,489</u>	<u>3,326,689</u>
Other Financing Uses:			
Transfers out	(763,500)	(763,500)	-
Total Other Financing Uses	<u>(763,500)</u>	<u>(763,500)</u>	<u>-</u>
Net Change in Fund Balance	(3,572,700)	(246,011)	3,326,689
Fund Balance, Beginning of Year	<u>9,526,194</u>	<u>9,526,194</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,953,494</u>	<u>\$ 9,280,183</u>	<u>\$ 3,326,689</u>

CITY OF LAGUNA BEACH
Nonmajor Special Revenue Fund
Diaster Contingency Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income, net	\$ 100,000	\$ 131,378	\$ 31,378
Total Revenues	<u>100,000</u>	<u>131,378</u>	<u>31,378</u>
Fund Balance, Beginning of Year	<u>6,440,498</u>	<u>6,440,498</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,540,498</u>	<u>\$ 6,571,876</u>	<u>\$ 31,378</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, 2020

	Insurance and Employee Benefits	Vehicle Replacement	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 13,277,009	\$ 10,475,607	\$ 23,752,616
Receivables:			
Accounts	68,750	-	68,750
Total Current Assets	13,345,759	10,475,607	23,821,366
Noncurrent Assets:			
Advances to other funds	786,120	700,000	1,486,120
Notes receivable	-	373,300	373,300
Property for housing program	1,743,653	-	1,743,653
Capital assets, net of depreciation	-	3,978,851	3,978,851
Total Noncurrent Assets	2,529,773	5,052,151	7,581,924
Total Assets	15,875,532	15,527,758	31,403,290
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	1,148,107	12,309	1,160,416
Compensated absences, due within one year	838,316	-	838,316
Insurance claims payable, due within one year	2,278,218	-	2,278,218
Total Current Liabilities	4,264,641	12,309	4,276,950
Noncurrent Liabilities:			
Compensated absences	3,353,263	-	3,353,263
Insurance claims payable	5,315,843	-	5,315,843
Total Noncurrent Liabilities	8,669,106	-	8,669,106
Total Liabilities	12,933,747	12,309	12,946,056
NET POSITION			
Net investment in capital assets	-	3,966,542	3,966,542
Unrestricted	2,941,785	11,548,907	14,490,692
Total Net Position	\$ 2,941,785	\$ 15,515,449	\$ 18,457,234

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2020

	Insurance and Employee Benefits	Vehicle Replacement	Total
Operating Revenues:			
Vehicle rentals	\$ -	\$ 1,546,888	\$ 1,546,888
Employee benefits charges	910,500	-	910,500
Insurance charges	10,074,150	-	10,074,150
Total Operating Revenues	10,984,650	1,546,888	12,531,538
Operating Expenses:			
Administration	224,976	-	224,976
Employee benefits	1,144,219	-	1,144,219
Insurance claims and premiums	10,758,323	-	10,758,323
Depreciation	-	717,011	717,011
Total Operating Expenses	12,127,518	717,011	12,844,529
Operating Income (Loss)	(1,142,868)	829,877	(312,991)
Nonoperating Revenues:			
Gain on disposal of capital assets or property	-	41,435	41,435
Total Nonoperating Revenues	-	41,435	41,435
Income (Loss) Before Transfers	(1,142,868)	871,312	(271,556)
Transfers:			
Transfers in	182,703	300,000	482,703
Transfers out	-	(104,063)	(104,063)
Total Transfers	182,703	195,937	378,640
Change in Net Position	(960,165)	1,067,249	107,084
Net Position, Beginning of Year	3,901,950	14,448,200	18,350,150
Net Position, End of Year	\$ 2,941,785	\$ 15,515,449	\$ 18,457,234

CITY OF LAGUNA BEACH
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2020

	Insurance and Employee Benefits	Vehicle Replacement	Total
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 11,036,874	\$ 1,546,888	\$ 12,583,762
Cash payments to suppliers for goods and services	(10,050,091)	-	(10,050,091)
Cash payments to employees for services	(935,367)	-	(935,367)
 Net Cash Provided by Operating Activities	 <u>51,416</u>	 <u>1,546,888</u>	 <u>1,598,304</u>
Cash Flows from Noncapital Financing Activities:			
Cash received from other funds	182,703	300,000	482,703
Cash provided to other funds	-	(104,063)	(104,063)
Cash received for payment on advance to other funds	763,538	-	763,538
Cash received related to housing program	-	19,115	19,115
 Net Cash Provided by Noncapital Financing Activities	 <u>946,241</u>	 <u>215,052</u>	 <u>1,161,293</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	(581,163)	(581,163)
Proceeds from sale of capital assets	-	41,435	41,435
 Net Cash Used for Capital and Related Financing Activities	 <u>-</u>	 <u>(539,728)</u>	 <u>(539,728)</u>
 Net Increase in Cash and Cash Equivalents	 997,657	 1,222,212	 2,219,869
Cash and Cash Equivalents, Beginning of Year	<u>12,279,352</u>	<u>9,253,395</u>	<u>21,532,747</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,277,009</u>	<u>\$ 10,475,607</u>	<u>\$ 23,752,616</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (1,142,868)	\$ 829,877	\$ (312,991)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	717,011	717,011
(Increase) decrease in accounts receivable	52,224	-	52,224
Increase (decrease) in accounts payable and accrued liabilities	954,110	-	954,110
Increase (decrease) in compensated absences payable	208,852	-	208,852
Increase (decrease) in insurance claims payable	(20,902)	-	(20,902)
 Net Cash Provided by Operating Activities	 <u>\$ 51,416</u>	 <u>\$ 1,546,888</u>	 <u>\$ 1,598,304</u>

AGENCY FUNDS

1915 Act Bonds Fund

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

Deposits Fund

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

CITY OF LAGUNA BEACH
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2020

	1915 Act Bonds	Deposits	Total
ASSETS			
Cash and investments	\$ 980,751	\$ 2,991,001	\$ 3,971,752
Investments with fiscal agent	472,174	-	472,174
Receivables:			
Taxes	21,554	-	21,554
Total Assets	<u>\$ 1,474,479</u>	<u>\$ 2,991,001</u>	<u>\$ 4,465,480</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 165	\$ 217,477	\$ 217,642
Deposits	-	2,715,954	2,715,954
Due to bondholders	1,474,314	57,570	1,531,884
Total Liabilities	<u>\$ 1,474,479</u>	<u>\$ 2,991,001</u>	<u>\$ 4,465,480</u>

CITY OF LAGUNA BEACH
Agency Funds
Statement of Changes in Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>1915 ACT BONDS</u>				
Assets				
Cash and investments	\$ 947,502	\$ 1,640,390	\$ 1,607,141	\$ 980,751
Investments with fiscal agent	538,711	878,814	945,351	472,174
Receivables:				
Taxes	10,810	21,554	10,810	21,554
Intergovernmental	16	-	16	-
Total Assets	<u>\$ 1,497,039</u>	<u>\$ 2,540,758</u>	<u>\$ 2,563,318</u>	<u>\$ 1,474,479</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 165	\$ -	\$ 165
Due to bondholders	1,497,039	2,540,756	2,563,481	1,474,314
Total Liabilities	<u>\$ 1,497,039</u>	<u>\$ 2,540,921</u>	<u>\$ 2,563,481</u>	<u>\$ 1,474,479</u>
<u>DEPOSITS</u>				
Assets				
Cash and investments	<u>\$ 3,066,886</u>	<u>\$ 1,143,706</u>	<u>\$ 1,219,591</u>	<u>\$ 2,991,001</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 91,514	\$ 1,242,258	\$ 1,116,295	\$ 217,477
Deposits	2,975,372	1,020,100	1,279,518	2,715,954
Due to bondholders	-	57,570	-	57,570
Total Liabilities	<u>\$ 3,066,886</u>	<u>\$ 2,319,928</u>	<u>\$ 2,395,813</u>	<u>\$ 2,991,001</u>
<u>TOTALS</u>				
Assets				
Cash and investments	\$ 4,014,388	\$ 2,784,096	\$ 2,826,732	\$ 3,971,752
Investments with fiscal agent	538,711	878,814	945,351	472,174
Receivables:				
Taxes	10,810	21,554	10,810	21,554
Intergovernmental	16	-	16	-
Total Assets	<u>\$ 4,563,925</u>	<u>\$ 3,684,464</u>	<u>\$ 3,782,909</u>	<u>\$ 4,465,480</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 91,514	\$ 1,242,423	\$ 1,116,295	\$ 217,642
Deposits	2,975,372	1,020,100	1,279,518	2,715,954
Due to bondholders	1,497,039	2,598,326	2,563,481	1,531,884
Total Liabilities	<u>\$ 4,563,925</u>	<u>\$ 4,860,849</u>	<u>\$ 4,959,294</u>	<u>\$ 4,465,480</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			
	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	\$ 321,965,481	\$ 324,225,923	\$ 328,944,217	\$ 299,392,486
Restricted	5,196,077	5,869,787	4,421,951	7,223,908
Unrestricted	56,708,144	50,569,411	60,011,983	57,924,594
Total governmental activities	<u>\$ 383,869,702</u>	<u>\$ 380,665,121</u>	<u>\$ 393,378,151</u>	<u>\$ 364,540,988</u>
Business-type activities:				
Net investment in capital assets	\$ 3,033,502	\$ 2,834,551	\$ 2,642,078	\$ 43,758,305
Unrestricted	372,435	372,452	408,379	3,173,301
Total business type activities	<u>\$ 3,405,937</u>	<u>\$ 3,207,003</u>	<u>\$ 3,050,457</u>	<u>\$ 46,931,606</u>
Primary Government:				
Net investment in capital assets	\$ 324,998,983	\$ 327,060,474	\$ 331,586,295	\$ 343,150,791
Restricted	5,196,077	5,869,787	4,421,951	7,223,908
Unrestricted	57,080,579	50,941,863	60,420,362	61,097,895
Total business type activities	<u>\$ 387,275,639</u>	<u>\$ 383,872,124</u>	<u>\$ 396,428,608</u>	<u>\$ 411,472,594</u>

Data Source: City Records

Fiscal Years

2015	2016	2017	2018	2019	2020
\$ 301,705,857	\$ 299,735,000	\$ 279,232,956	\$ 295,985,393	\$ 298,698,689	\$ 300,791,758
9,559,633	15,943,397	12,576,083	12,897,272	15,221,830	17,340,349
<u>16,937,401</u>	<u>27,254,391</u>	<u>35,076,956</u>	<u>35,892,931</u>	<u>39,877,633</u>	<u>32,188,810</u>
<u>\$ 328,202,891</u>	<u>\$ 342,932,788</u>	<u>\$ 326,885,995</u>	<u>\$ 344,775,596</u>	<u>\$ 353,798,152</u>	<u>\$ 350,320,917</u>
\$ 42,452,562	\$ 45,461,137	\$ 39,751,055	\$ 41,056,246	\$ 41,503,006	\$ 42,514,260
3,197,284	2,377,065	1,312,520	133,248	1,846,897	1,313,632
<u>\$ 45,649,846</u>	<u>\$ 47,838,202</u>	<u>\$ 41,063,575</u>	<u>\$ 41,189,494</u>	<u>\$ 43,349,903</u>	<u>\$ 43,827,892</u>
\$ 344,158,419	\$ 345,196,137	\$ 318,984,011	337,041,639	340,201,695	343,306,018
9,559,633	15,943,397	12,576,083	12,897,272	15,221,830	17,340,349
<u>20,134,685</u>	<u>29,631,456</u>	<u>36,389,476</u>	<u>36,026,179</u>	<u>41,724,530</u>	<u>33,502,442</u>
<u>\$ 373,852,737</u>	<u>\$ 390,770,990</u>	<u>\$ 367,949,570</u>	<u>\$ 385,965,090</u>	<u>\$ 397,148,055</u>	<u>\$ 394,148,809</u>

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

	Fiscal Years			
	2011	2012	2013	2014
Expenses:				
Governmental activities:				
General government	\$ 4,291,832	\$ 4,658,171	\$ 4,773,294	\$ 3,252,176
Community development	3,686,004	3,991,867	3,826,827	4,103,329
Public Safety	26,364,923	26,937,061	24,694,999	25,755,201
Public Works	14,336,928	13,913,687	12,424,315	16,320,422
Recreation and social services	4,676,679	5,004,329	4,787,756	5,173,507
Sewer service operating costs	5,700,769	6,063,835	5,519,819	-
Interest on long-term debt	187,964	211,810	129,382	-
Total governmental activities expenses	59,245,099	60,780,760	56,156,392	54,604,635
Business-type activities:				
Municipal transit	2,450,265	2,233,496	2,148,718	2,333,048
Sewer Service	-	-	-	5,636,354
Total business-type activities expenses	2,450,265	2,233,496	2,148,718	7,969,402
Total primary government expenses	\$ 61,695,364	\$ 63,014,256	\$ 58,305,110	\$ 62,574,037
Program revenues:				
Governmental activities:				
Charges for Services:				
General Government	\$ 890,306	\$ 882,761	\$ 906,051	\$ 981,002
Community development	2,246,036	2,195,031	2,731,302	3,204,521
Public safety	1,725,333	1,752,556	1,797,519	1,591,619
Public works	6,994,344	6,295,258	7,428,761	7,343,113
Recreation and social services	3,311,914	3,050,630	3,200,792	3,305,296
Sewer service operating costs	6,082,856	6,308,982	6,588,390	-
Operating Grants and Contributions:				
	3,930,216	1,961,730	2,024,308	1,971,819
Capital Grants and Contributions:				
	1,002,303	878,382	131,497	1,596,735
Total governmental activities program revenues	26,183,308	23,325,330	24,808,620	19,994,105
Business-type activities				
Charges for Services:				
Municipal Transit	323,428	318,205	326,723	346,288
Sewer service	-	-	-	6,814,418
Operating Grants and Contributions:				
	1,637,397	1,321,121	1,322,049	1,765,639
Capital Grants and Contributions:				
	393,174	-	-	851,923
Total business-type activities program revenues	2,353,999	1,639,326	1,648,772	9,778,268
Total primary government program revenues	28,537,307	24,964,656	26,457,392	29,772,373
Net revenues (expenses):				
Governmental activities	(33,061,791)	(37,455,430)	(31,347,772)	(34,610,530)
Business-type activities	(96,266)	(594,170)	(499,946)	1,808,866
Total net revenues (expenses)	\$ (33,158,057)	\$ (38,049,600)	\$ (31,847,718)	\$ (32,801,664)

Data Source: City Records

Fiscal Years						
2015	2016	2017	2018	2019	2020	
\$ 4,011,666	\$ 4,961,384	\$ 6,155,221	\$ 5,999,777	\$ 6,835,988	\$ 6,733,936	
4,286,769	5,098,251	5,066,791	5,638,445	6,112,595	6,724,466	
26,606,083	31,639,192	31,929,625	34,698,566	38,130,078	42,331,532	
18,085,062	20,779,294	26,449,618	25,566,306	24,793,130	25,733,663	
6,022,747	5,481,466	5,461,800	5,838,148	5,984,453	6,173,404	
-	-	-	-	-	-	
-	-	-	-	-	-	
59,012,326	67,959,587	75,063,055	77,741,242	81,856,244	87,697,001	
2,434,172	2,976,677	3,137,062	3,703,612	3,576,268	3,752,088	
7,569,442	5,963,003	6,720,112	8,381,044	8,542,329	8,785,885	
10,003,614	8,939,680	9,857,174	12,084,656	12,118,597	12,537,973	
\$ 69,015,940	\$ 76,899,267	\$ 84,920,229	\$ 89,825,898	\$ 93,974,841	\$ 100,234,974	
\$ 1,015,049	\$ 1,002,599	\$ 1,104,868	\$ 1,095,550	\$ 1,239,001	\$ 1,161,133	
3,167,128	3,773,050	4,033,486	3,620,227	3,622,776	3,000,391	
1,989,290	1,679,812	1,448,493	1,643,406	1,591,639	1,503,156	
9,314,702	8,622,598	9,936,897	9,169,286	10,179,675	8,035,749	
3,979,198	3,641,643	3,559,566	4,544,920	4,265,798	3,375,378	
-	-	-	-	-	-	
2,764,891	1,849,916	1,823,585	2,154,138	2,092,295	2,688,591	
433,681	8,212,560	4,894,568	14,384,725	519,193	571,667	
22,663,939	28,782,178	26,801,463	36,612,252	23,510,377	20,336,065	
319,134	313,458	302,683	288,339	265,158	253,977	
7,093,423	7,400,257	7,699,521	8,050,631	8,388,932	8,626,052	
2,302,614	2,332,192	1,711,517	2,579,238	2,587,941	2,649,540	
555,307	-	-	-	-	-	
10,270,478	10,045,907	9,713,721	10,918,208	11,242,031	11,529,569	
32,934,417	38,828,085	36,515,184	47,530,460	34,752,408	31,865,634	
(36,348,387)	(39,177,409)	(48,261,592)	(41,128,990)	(58,345,867)	(67,360,936)	
266,864	1,106,227	(143,453)	(1,166,448)	(876,566)	(1,008,404)	
\$ (36,081,523)	\$ (38,071,182)	\$ (48,405,045)	\$ (42,295,438)	\$ (59,222,433)	\$ (68,369,340)	

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

	Fiscal Years			
	2011	2012	2013	2014
General Revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 27,799,676	\$ 26,553,228	\$ 27,498,818	\$ 29,051,006
Sales Tax	3,356,309	3,825,793	3,989,812	4,230,239
Sales tax in-lieu	948,251	979,382	1,125,941	1,185,284
Transient occupancy taxes	7,073,251	7,904,562	8,537,050	9,366,183
Other taxes	2,167,624	2,311,061	2,086,233	2,147,742
Motor vehicle license fees, unrestricted	115,763	-	-	-
Investment Income	1,028,790	739,632	(70,016)	1,160,595
Other general revenue	1,365,120	1,576,053	964,666	1,002,476
Gain on sale of assets	5,050	70,207	271,698	198,439
Transfers	(823,900)	(391,300)	(343,400)	(915,389)
Total governmental activities	<u>\$ 43,035,934</u>	<u>\$ 43,568,618</u>	<u>\$ 44,060,802</u>	<u>\$ 47,426,575</u>
Business-type activities				
Investment Income	\$ 2,496	\$ 3,936	\$ -	\$ 3,819
Other general revenue	-	-	-	25,103
Gain or loss on sale of assets	-	-	-	-
Transfers	823,900	391,300	343,400	915,389
Total Business-type activities	<u>\$ 826,396</u>	<u>\$ 395,236</u>	<u>\$ 343,400</u>	<u>\$ 944,311</u>
Total Primary government	<u>\$ 43,862,330</u>	<u>\$ 43,963,854</u>	<u>\$ 44,404,202</u>	<u>\$ 48,370,886</u>
Changes in net position				
Governmental activities	\$ 9,974,143	\$ 6,113,188	\$ 12,713,030	\$ 12,816,045
Business-type activities	730,130	(198,934)	(156,546)	2,753,177
Total primary government	<u>\$ 10,704,273</u>	<u>\$ 5,914,254</u>	<u>\$ 12,556,484</u>	<u>\$ 15,569,222</u>

Data Source: City Records

Fiscal Years					
2015	2016	2017	2018	2019	2020
\$ 30,945,911	\$ 34,100,038	\$ 36,391,079	\$ 38,727,313	\$ 40,678,746	\$ 42,385,283
4,602,679	5,345,953	6,000,084	6,124,970	6,581,928	5,583,948
1,201,956	1,029,002	-	-	-	-
9,872,378	10,754,654	12,670,071	14,708,047	14,649,273	11,939,790
2,233,271	1,372,912	1,418,582	1,360,102	1,316,999	1,315,766
-	-	-	-	-	-
708,579	1,259,063	35,817	308,576	3,841,077	3,146,238
1,172,011	1,059,699	964,459	576,925	798,075	497,166
75,928	31,283	338,126	126,977	99,675	50,024
(1,350,691)	(1,045,298)	(1,449,674)	(1,303,635)	(597,350)	(1,034,514)
<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>	<u>\$ 63,883,701</u>
\$ 25,464	\$ 36,734	\$ 18,087	\$ 17,193	\$ 14,099	\$ 218,267
4,650	97	21,895	74,577	2,413,672	41,933
(6,537)	-	-	15,138	11,854	191,679
1,350,691	1,045,298	1,449,674	1,303,635	597,350	1,034,514
<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>\$ 1,486,393</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>	<u>\$ 65,370,094</u>
\$ 13,113,635	\$ 14,729,897	\$ 8,106,952	\$ 19,500,285	\$ 9,022,556	\$ (3,477,235)
1,641,132	2,188,356	1,346,203	244,095	2,160,409	477,989
<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>	<u>\$ (2,999,246)</u>

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

	Fiscal Years			
	2011	2012	2013	2014
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	1,457,462	103,726	129,616	146,990
Restricted	4,731,971	3,526,976	3,317,856	2,958,295
Committed	234,988	306,539	306,359	334,525
Assigned	19,511,838	20,962,498	27,272,289	23,734,527
Unassigned	4,822,332	8,215,647	6,781,959	13,420,963
Total general fund	<u>\$ 30,758,591</u>	<u>\$ 33,115,386</u>	<u>\$ 37,808,079</u>	<u>\$ 40,595,300</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Nonspendable	791,384	791,384	3,531,567	2,190,000
Restricted	6,266,345	10,385,155	3,595,034	4,265,613
Committed	5,857,868	-	5,984,699	6,034,556
Assigned	-	-	265,217	-
Unassigned	(2,184,688)	(774,645)	(148,095)	(531,502)
Total all other governmental funds	<u>\$ 10,730,909</u>	<u>\$ 10,401,894</u>	<u>\$ 13,228,422</u>	<u>\$ 11,958,667</u>

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

Fiscal Years

2015	2016	2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
115,089	115,607	51,539	1,490,158	2,496,535	4,271,059
3,073,396	2,566,305	2,176,142	1,681,766	2,052,731	2,036,770
363,278	350,106	192,825	885,622	1,008,990	881,350
29,467,522	36,008,155	40,163,871	38,308,560	36,410,273	38,537,450
16,308,063	18,240,858	20,942,863	21,282,064	27,530,330	23,406,015
<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>	<u>\$ 69,132,644</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	598,904	2,330,719	2,388,177
6,486,737	13,377,092	10,399,151	10,616,602	10,838,380	10,527,225
6,089,679	6,153,059	6,209,559	6,320,696	6,440,498	6,571,876
-	-	-	-	-	-
(521,922)	-	-	-	-	(275,872)
<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>	<u>\$ 19,211,406</u>

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

	Fiscal Years			
	2011	2012	2013	2014
Revenues:				
Taxes and special assessments	\$ 41,678,318	\$ 41,653,733	\$ 43,929,172	\$ 46,861,756
License and permits	990,966	975,884	1,052,041	1,292,248
Fines and penalties	1,274,270	1,283,698	1,341,961	1,179,799
Investment income	1,064,467	739,628	(70,016)	1,159,549
Rental income	445,491	419,641	427,341	500,642
Intergovernmental	3,978,327	3,469,505	2,121,486	3,363,671
Charges for services	13,056,488	12,987,838	13,603,713	7,509,075
Parking meters, lots and permits	4,891,228	4,276,533	5,384,197	5,308,051
Development tax	680,391	183,704	433,526	254,370
Contributions from property owners	-	-	-	-
Other	1,372,893	900,815	652,921	802,838
Total Revenue	<u>\$ 69,432,839</u>	<u>\$ 66,890,979</u>	<u>\$ 68,876,342</u>	<u>\$ 68,231,999</u>
Expenditures				
Current:				
General government	\$ 3,991,706	\$ 4,071,235	\$ 4,014,084	\$ 3,701,265
Community development	3,531,828	3,600,452	3,751,468	4,034,924
Public Safety	24,676,244	24,419,318	24,336,927	25,170,727
Public works	10,097,113	10,671,049	10,958,046	12,292,930
Recreation and social services	4,003,836	4,049,299	4,216,980	4,581,842
Sewer service operating costs	4,009,715	4,062,448	3,950,183	-
Capital outlay	11,060,240	10,745,569	8,974,111	15,782,365
Debt service:				
Principal	1,490,000	1,915,472	360,040	-
Interest and fiscal charges	625,428	181,283	132,459	-
Total Expenditures	<u>\$ 63,486,110</u>	<u>\$ 63,716,125</u>	<u>\$ 60,694,298</u>	<u>\$ 65,564,053</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 5,946,729	\$ 3,174,854	\$ 8,182,044	\$ 2,667,946
Other financing sources (uses):				
Transfer In	\$ 538,742	\$ 987,270	\$ 1,697,131	\$ 419,760
Transfer Out	(2,816,927)	(2,446,370)	(2,614,936)	(1,869,144)
Issuance of bond	-	459,263	-	-
Issuance of loan	-	-	-	-
Advance payments of PERS obligation	-	-	-	-
Sales of land and equipment	5,050	12,109	254,582	168,676
Total other financing sources (uses)	<u>(2,273,135)</u>	<u>(987,728)</u>	<u>(663,223)</u>	<u>(1,280,708)</u>
Net change in fund balances	<u>\$ 3,673,594</u>	<u>\$ 2,187,126</u>	<u>\$ 7,518,821</u>	<u>\$ 1,387,238</u>
Debt service as a percentage of noncapital expenditures	4.2%	4.1%	1.0%	0.0%

Data Source: City Records

Fiscal Years

2015	2016	2017	2018	2019	2020
\$ 49,740,077	\$ 53,422,115	\$ 57,209,543	\$ 61,759,702	\$ 64,132,553	\$ 61,825,816
1,257,275	1,500,393	1,580,348	1,563,386	1,401,562	1,192,344
1,161,445	1,168,255	1,001,556	1,056,801	959,270	937,560
715,521	1,256,302	35,817	302,357	3,840,142	3,346,784
484,579	481,114	463,868	457,540	425,517	448,319
2,817,867	2,118,995	1,785,855	2,508,832	2,781,991	2,617,533
8,153,319	8,177,621	8,508,729	8,711,740	8,648,899	7,375,023
7,400,349	6,739,529	7,857,684	6,994,805	8,065,075	5,908,986
271,927	185,949	310,117	178,875	263,291	153,783
-	7,281,713	167,566	32,723	30,000	522,848
1,556,022	957,974	644,607	618,968	844,320	491,842
<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>	<u>\$ 84,820,838</u>
\$ 4,598,623	\$ 5,330,478	\$ 5,851,668	\$ 5,795,153	\$ 6,425,030	\$ 6,129,597
4,445,514	5,041,256	5,065,752	5,598,168	5,884,065	6,245,015
27,014,412	30,647,342	30,351,932	34,592,292	35,904,287	37,746,979
11,867,474	12,839,368	14,049,840	16,005,447	16,154,021	15,804,282
4,902,441	4,889,196	4,770,513	5,305,605	5,309,727	5,376,302
-	-	-	-	-	-
10,735,900	7,172,705	13,495,671	13,351,622	12,387,251	12,869,915
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 84,172,090</u>
\$ 9,994,017	\$ 17,369,615	\$ 5,980,314	\$ 3,537,442	\$ 9,328,239	\$ 648,748
\$ 1,050,000	\$ 120,000	\$ 1,744,140	\$ 2,113,000	\$ 1,659,158	\$ 1,123,500
(2,223,400)	(2,071,298)	(4,989,570)	(4,602,020)	(3,063,313)	(2,536,654)
-	-	584,993	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,258	11,023	4,891	-	-	-
<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>(1,413,154)</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>	<u>\$ (764,406)</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
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%
2020	15,826,807,669	134,563,131	15,961,370,800	1.343%

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			
	2011	2012	2013	2014
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	0.0119	-	-	-
Unified School District Bonds	0.1580	0.1601	0.1694	0.0157
South Coast Water District	0.0091	0.0082	0.0082	0.0079
Metro Water District	0.0037	0.0037	0.0035	0.0035
Total Direct and overlapping Rate	<u>\$ 1.18267</u>	<u>\$ 1.17200</u>	<u>\$ 1.18110</u>	<u>\$ 1.02704</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 / Avenu Insights & Analytics

Source: 2013-14 and prior, previously published CAFR Reports

Rates are not adjusted for ERAF

TRA 005-015 is represented.

Fiscal Years

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</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
-	-	-	-	-	-
0.0146	0.0140	0.0137	0.0129	0.0129	0.0127
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>\$ 1.02530</u>	<u>\$ 1.02411</u>	<u>\$ 1.01928</u>	<u>\$ 1.01637</u>	<u>\$ 1.01635</u>	<u>\$ 1.01616</u>

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

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Andy Bang LLC	294,551,597	1	1.85%			
Icre Laguna Club LLC	133,860,937	2	0.84%			
Gross Sue J	124,909,078	3	0.78%			
Hometown Laguna Terrace LLC	61,342,989	4	0.38%			
Hci Laguna Owner LP	58,543,307	5	0.37%			
Laguna Cove LLC	47,754,360	6	0.30%			
Iconicviews Company LLC	36,264,281	7	0.23%			
Irvine Cove 2004 LLC	36,237,550	8	0.23%			
Serenita LLC	34,632,302	9	0.22%			
Abalone Point LLC	32,700,000	10	0.20%			
Laguna Beach Luxury Hotel				169,034,643	1	1.64%
Mission Hospial Regional Medic				76,688,527	2	0.74%
Club Laguna Partnership				45,001,717	3	0.44%
Sullivan Kenneth J III				35,421,982	4	0.34%
Laguna Resort Property LLC				32,879,499	5	0.32%
Merritt Richard W & Naelda J				31,740,628	6	0.31%
Nevills Neil D				30,100,092	7	0.29%
Yi Donna				23,440,969	8	0.23%
Daichendt Gary J				22,814,714	9	0.22%
Bank, JP Morgan Chase NA				19,850,000	10	0.19%
	<u>\$ 860,796,401</u>		<u>5.39%</u>	<u>\$ 486,972,771</u>		<u>4.71%</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
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%
2020	35,447,181	34,968,629	98.65%	478,553	35,447,181	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			Business-type Activities		Primary Government	Percentage of Personal Income	Debt per Capita
	General Obligation Bonds	I-Bank Installment Agreement	Capital Leases	Total Governmental Activities	I-Bank Installment Agreement			
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
2020	-	-	-	-	10,163,699	10,163,699	0.50%	455

Data Source: City Records

CITY OF LAGUNA BEACH
Direct and Overlapping Debt
June 30, 2020

CITY OF LAGUNA BEACH

2019-20 Assessed Valuation: \$15,993,768,427

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2020</u>	<u>% Applicable (1)</u>	City's share of <u>Debt 6/30/20</u>
Metropolitan Water District	\$37,300,000	0.517%	\$192,841
Capistrano Unified School District School Facilities Improvement District No. 1	18,925,885	0.010	1,893
Laguna Beach Unified School District	20,005,000	72.907	14,585,045
City of Laguna Beach 1915 Act Bonds	6,419,884	100	6,419,884
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$21,199,663</u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$386,745,000	2.556%	\$9,885,202
Orange County Pension Obligation Bonds	466,863,754	2.556	11,933,038
Orange County Board of Education Certificates of Participation	12,930,000	2.556	330,491
Capistrano Unified School District Certificates of Participation	27,010,000	0.007	1,891
City of Laguna Beach	0	100	0
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$22,150,622</u>
 TOTAL DIRECT DEBT			 \$0
TOTAL OVERLAPPING DEBT			<u>\$43,350,285</u>
 COMBINED TOTAL DEBT			 <u>\$43,350,285 (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 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.13%
Total Direct Debt	0.00%
Combined Total Debt	0.27%

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	
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%
2020	8,626,052	6,637,183	1,988,869	587,979	190,133	255.60%

Data Source: City Records

CITY OF LAGUNA BEACH
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Years			
	2011	2012	2013	2014
Assessed valuation	10,335,472,585	10,468,333,980	10,681,022,396	11,181,201,735
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,583,868,146	2,617,083,495	2,670,255,599	2,795,300,434
Debt limit percentage	15%	15%	15%	15%
Debt limit	387,580,222	392,562,524	400,538,340	419,295,065
Total net debt applicable to limit:				
General obligation bonds	<u>4,480,000</u>	<u>1,565,000</u>	-	-
Legal debt margin	<u>\$ 383,100,222</u>	<u>\$ 390,997,524</u>	<u>\$ 400,538,340</u>	<u>\$ 419,295,065</u>
Total debt applicable to the limit as a percentage of debt limit	1.2%	0.4%	0.0%	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					
2015	2016	2017	2018	2019	2020
11,895,671,535	12,700,905,363	13,582,283,549	14,410,004,305	15,256,688,946	15,961,370,800
25%	25%	25%	25%	25%	25%
2,973,917,884	3,175,226,341	3,395,570,887	3,602,501,076	3,814,172,237	3,990,342,700
15%	15%	15%	15%	15%	15%
446,087,683	476,283,951	509,335,633	540,375,161	572,125,835	598,551,405
-	-	-	-	-	-
<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>	<u>\$ 598,551,405</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
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%
2020	22,343	2,203,830,404	98,636	12.0%

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	2019-20		2014-15	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Laguna Beach School District	335	2.86%	340	2.66%
Montage Laguna Beach Hotel**	307	2.62%	759	5.93%
Mission Hospital, Laguna Beach (1)	284	2.43%	2500	19.53%
City of Laguna Beach***	270	2.31%	250	1.95%
Surf & Sand Resort**	250	2.14%	339	2.65%
Laguna College of Art & Design**	246	2.10%	290	2.27%
Pacific Edge Hotel** (2)	158	1.35%	199	1.55%
Las Brisas Restaurant**	138	1.18%	0	0.00%
Whole Foods Market**	86	0.74%	75	0.59%
Mozambique Restaurant**	76	0.65%	100	0.78%
Hotel Laguna			105	0.82%
Total Top 10 Employers	2,150	18.38%	4,957	38.73%
 Total City Labor Force (3)	 11,700		 12,800	

Source: MuniServices, LLC /Avenu Insights & Analytics
Source: 2015-16 previously published CAFR
Results based on direct correspondence with city's local businesses.
**Includes full and part time
***Includes full time only
(1) Count 284 is for just the Laguna Beach campus only.
(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		
	2011	2012	2013
General Government	18.03	17.63	17.63
Public Safety	132.60	132.50	132.50
Public Works	54.00	51.00	50.00
Community Development	27.00	26.50	26.50
Recreational and Cultural	7.75	7.75	7.75
Water Quality	15.00	15.00	15.00
Total	<u>254.38</u>	<u>250.38</u>	<u>249.38</u>

Data Source: City Records

Fiscal Years						
2014	2015	2016	2017	2018	2019	2020
17.63	17.63	18.73	18.73	20.23	20.23	22.68
132.60	135.00	136.00	136.00	149.00	150.00	150.00
51.00	51.00	54.60	54.60	57.00	57.00	58.00
27.00	28.00	30.00	30.00	32.00	32.00	35.00
7.75	7.75	6.00	6.00	6.00	6.00	7.00
15.00	15.00	15.00	15.00	15.00	15.00	16.00
<u>250.98</u>	<u>254.38</u>	<u>260.33</u>	<u>260.33</u>	<u>279.23</u>	<u>280.23</u>	<u>288.68</u>

CITY OF LAGUNA BEACH
 Operating Indicators
 Last Ten Fiscal Years

	Fiscal Years		
	2011	2012	2013
Police			
Custodial Arrests	2,163	1,527	2,176
Traffic Violations	7,176	5,855	6,138
Parking Violations	35,688	38,553	40,050
Fire Protection:			
Number of Calls Answered	3,080	3,413	3,311
Number of Inspections	1,035	1,620	1,650
Water Quality:			
Number of Service Connections	8,504	8,504	8,504
Daily Average Treatment in MGD (million gallons per day)	2	2	2
Maximum daily capacity of treatment plant in MGD	4	4	4

(1) Drops in numbers are directly attributed to the Covid closures beginning on March 17, 2020.

Data Source: City Records

N/A - Not currently available.

Fiscal Years

2014	2015	2016	2017	2018	2019	2020
1,694	2,093	2,125	2,113	2,102	2,133	1,710
5,300	5,923	3,794	3,372	6,716	4,153	3,274
34,004	36,685	34,017	30,557	26,275	28,989	24,675
3,375	3,447	N/A	3,562	3,325	3,554	3,712
1,021	1,384	N/A	982	1,155	1,587	562
8,504	8,504	8,504	8,504	8,504	8,504	8,504
2	2	2	2	2	2	2
4	4	4	4	4	4	4

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

	Fiscal Years		
	2011	2012	2013
Police			
Stations	1	1	1
Fire:			
Fire Stations	4	4	4
Public Works			
Streets (miles)	93	93	93
Streetlights	1,241	1,241	1,241
Culture and Recreation			
Community Centers	3	3	3
Parks	17	17	17
Park Acreage	47	47	47
Tennis Courts	12	12	12
Water Quality			
Miles of sanitary sewers	95.00	95.00	95.00
Miles of storm drains	78.00	78.00	78.00

Data Source: City Records

Fiscal Years						
2014	2015	2016	2017	2018	2019	2020
1	1	1	1	1	1	1
4	4	4	4	4	4	4
93	93	93	93	93	93	93
1,241	1,241	1,241	1,241	1,241	1,241	1,241
3	3	3	3	3	3	3
17	17	17	17	17	17	17
47	47	47	47	47	47	47
12	12	12	12	12	12	12
95.00	95.00	95.00	95.00	95.00	95.00	95.00
78.00	78.00	78.00	78.00	78.00	78.00	78.00

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