



CITY OF LAGUNA HILLS

California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2011





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CITY MANAGER
Bruce E. Channing

ASSISTANT CITY MANAGER
Donald J. White



INTRODUCTORY SECTION

CITY OF LAGUNA HILLS

Table of Contents

<i>Introductory Section</i>	Table of Contents i GFOA Certificate of Achievement iii Letter of Transmittal 1 - 1 Elected Officials 1 - 8 Appointed Officials 1 - 9 Organizational Chart 1 - 10
<i>Financial Section</i>	Independent Auditors' Report II - 1 Management Discussion & Analysis II - 3 Basic Financial Statements: Government-wide Financial Statements: Statement of Net Assets..... II - 15 Statement of Activities II - 16 Fund Financial Statements: Balance Sheet - Governmental Funds II - 19 Reconciliation - Balance Sheet of Governmental Funds to the Statement of Net Assets II - 20 Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds II - 21 Reconciliation - Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities II - 22 Statement of Net Assets - Proprietary Fund II - 23 Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund..... II - 24 Statement of Cash Flows - Proprietary Fund II - 25 Statement of Net Assets - Agency Fund II - 26 Notes to the Financial Statements II - 27 Required Supplementary Information: Notes to Required Supplementary Information II - 55 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund II - 56 Supplementary Schedules: Non-Major Governmental Funds - Special Revenue and Debt Service: Combining Balance Sheet II - 58 Combining Statement of Revenues, Expenditures and Changes in Fund Balance..... II - 60 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual: Capital Projects II - 62 Debt Service II - 63 Gas Tax II - 64 Measure M - Turn Back and Discretionary II - 65 AB 2766 II - 66 Proposition 42 II - 67 Proposition 1B II - 68 FCPP..... II - 69 CARITS..... II - 70 CDBG..... II - 71 Redevelopment Tax Increment II - 72 Beverage Recycling II - 73 CR&R Recycling Fees..... II - 74 C&D Forfeited Deposits..... II - 75 AB 939 Surcharge Grant II - 76 Grants and Contributions II - 77 Public Art..... II - 78 Public Safety II - 79 Statement of Changes in Fiduciary Assets & Liabilities - Fiduciary Fund II - 80

CITY OF LAGUNA HILLS

Table of Contents

**Statistical
Section
(Unaudited)**

Net Assets by Component	III - 3
Change in Net Assets	III - 4
Governmental Activities Tax Revenue By Source	III - 6
Fund Balances of Governmental Funds	III - 7
Changes in Fund Balances of Governmental Funds	III - 8
General Government Tax Revenues by Source	III - 9
Assessed Value and Estimated Actual Value of Taxable Property	III -10
Property Tax Rates - Direct and Overlapping Governments	III -11
Principal Property Taxpayers	III -12
Property Tax Levies and Collections	III -13
Ratios of Outstanding Debt by Type	III -14
Ratios of General Bonded Debt Outstanding	III -15
Direct and Overlapping Governmental Activities Debt	III -16
Legal Debt Margin Information	III -17
Pledged Revenue Coverage	III -18
Demographic & Economic Statistics	III -19
Principal Employers	III -20
Full-time Equivalent Employees by Function	III -21
Operating Indicators by Function	III -22
Capital Assets Statistics by Function	III -23
City at a Glance	III -24

CITY OF LAGUNA HILLS

GFOA CERTIFICATE OF ACHIEVEMENT
JUNE 30, 2011

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Laguna Hills
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danson

President

Jeffrey R. Emer

Executive Director



December 4, 2011

**Honorable Mayor and
Members of the City Council:**

The Comprehensive Annual Financial Report (CAFR) of the City of Laguna Hills for the fiscal year ended June 30, 2011, is submitted herewith. This report is published in accordance with local ordinance and State law requirements that financial statements be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Laguna Hills. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. It is management's opinion that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the object is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misrepresentation. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and

reliable in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City, as well as the City as a whole.

The City's financial statements have been audited by Moss, Levy & Hartzheim, LLP, a public accounting firm fully licensed and qualified to perform audits of local government. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements and that they present fairly, in all material respects, the financial condition of the City at the end of this fiscal year.

A narrative introduction, overview and analysis of the basic financial statements for the City for the fiscal year ended June 30, 2011, is discussed in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditors report. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF LAGUNA HILLS

The City of Laguna Hills is located in South Orange County approximately 60 miles south of Los Angeles and 70 miles north of San Diego. Incorporated in 1991 under the laws of the State of California, it enjoys all the rights and privileges pertaining to "General Law" cities. The City is home to approximately 30,410 people and over 1,000 businesses.

The City of Laguna Hills operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four-member Council. The Mayor is annually selected by the City Council from among its membership, and serves a one-year term. The governing Council is responsible, among other things, for passing the City's ordinances and operating resolutions, adopting the biennial budget, appointing commissions and committees, and hiring the City Manager.

The City contracts for selected municipal services utilizing agreements with other governmental entities, private firms and individuals. Police services are provided by the Orange County Sheriff's Department and fire services are provided through the Orange County Fire Authority, of which the City is a member.

Although the majority of the area in the City has a distinctive residential character, the City has a strong commercial base, specifically in the northern section of the City. This commercial area, or “Urban Village,” is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Medical Center. In addition, the area north of the Mall holds a complement of commercial and mixed-use industrial uses.

FACTORS AFFECTING FINANCIAL CONDITION

LOCAL ECONOMY

Since its incorporation in 1991, Laguna Hills has had a strong and well-diversified tax base. The tax base has performed well in good economic times and has helped the City weather slower economic conditions and recessions. Following the impact of the Great Recession that substantially altered the economic landscape of the State and region, this well-diversified tax base comprises a critical component to the City’s continued success. As the effects of the Great Recession have led to a structural correction in the economy and settles into what many are calling a “new normal”, local government revenues in particular have been greatly impacted. While analysts have declared the recession officially over and a slow recovery is working its way through the economy, much of the State and region is still plagued by high unemployment and rampant foreclosures in the housing market that continue to limit the economic recovery. Consequently, while no governmental agencies escaped the impact in revenues these past few years, some cities have certainly fared better than others. In fiscal year 2010/2011, General Fund revenues in Laguna Hills increased by 2.4%. The slight increase in revenues combined with a concerted effort to minimize operating expenditures has resulted in an operating surplus of \$1,466,787. This was managed by reducing operating expenditures by approximately \$900,000, or 5% of the budgeted amount for fiscal year 2010/2011. Fortunately, we continue to see signs of a recovery in the local tax base during the first quarter of 2011/2012 with increases in sales tax.

Property taxes are also expected to continue to make a rebound next year, albeit rather slowly, given a positive consumer price index and the end to many of the temporary Proposition 8 reductions imposed by the County Assessor over the last few years.

The following growth assumptions are included in the City's budget for fiscal year 2011/2012 and, should they hold true, will positively impact revenues in Laguna Hills:

- General Inflation +2.00%
- Taxable Sales +2.21%
- Assessed Valuation +1.50%
- Interest Rate on Investments +0.75%

ACCOUNTING SYSTEM
AND BUDGETARY
CONTROLS

In developing the City's accounting system, consideration was given to the adequacy of internal accounting controls, which are designed to provide reasonable, but not absolute, assurance in connection with: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Furthermore, the City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is authorized to transfer budgeted amounts within and between funds as deemed necessary in order to meet the City's needs. Revisions that exceed the appropriated budget must be approved by the City Council.

CAPITAL ASSETS

Generally, only assets which cost \$5,000 or more and which have a useful life of five years or more are considered capital assets. This designation is extensively discussed in the City's Internal Control Policies and Procedures for Capital Assets and Minor Equipment, which were developed for the City's compliance with the requirements with GASB 34. The City also utilizes a computerized asset-tracking program using a scanning device to update inventory records periodically.

MAJOR INITIATIVES

The following details the various initiatives of the City of Laguna Hills in 2010/2011:

FORMER CIRCUIT CITY SITE

The closure of the Circuit City in 2009 resulted in a great deal of interest in the site. Ultimately, in January 2010, Ashley's Furniture purchased the property for \$11.4 million. The site is currently under development to add an additional 5,949 square feet of retail space that will serve as the new home to an Ashley's Furniture, Total Wine and More, and Chick-Fil-A. Construction on the site is anticipated to be completed in the Spring of 2012.

IMPLEMENTATION OF GENERAL PLAN

Following the recent approval of the City's first major General Plan Update since 1994, the City continues working diligently to address many of the implementation plans identified in the General Plan. Specifically, the Urban Village Specific Plan was amended this past year to recognize new development authorized by the updated General Plan. In addition, the City's Development Code will be updated to comply with the new General Plan as well as any new pertinent State laws.

URBAN VILLAGE DEVELOPMENT PROJECTS

The Urban Village is anchored by the regional Laguna Hills Mall and includes the Oakbrook Village Shopping Center. Both areas have plans in the pipeline for extensive renovations that incorporate mixed-uses (housing/retail). Over the next few years, the Mall will undergo a series of changes as it moves away from smaller shop space to larger tenant spaces and restaurants. The owners of the Oakbrook Village Shopping Center continue to work with the City to create a redevelopment plan for the Center. The redevelopment plan will include the development of new retail and new residential units. Both Oakbrook Village and the Laguna Hills Mall continue to systematically de-lease in anticipation of their upcoming renovations. It is expected that both owners will submit development applications in the early part of 2012. In addition, construction on the former Circuit City site continues in order to make way for Ashley's Furniture, Total Wine and More, and Chick-Fil-A. To accommodate these new businesses and the future development anticipated for the Urban Village area, construction has begun to widen Avenida de Carlota to allow better traffic flow.

**LA PAZ WIDENING AT
INTERSTATE 5**

The La Paz Widening at Interstate 5 project was approved by the City Council on September 2010. This \$7.6 million project includes a number of safety and traffic flow improvements such as the widening and addition of off- and on-ramp lanes, modifying traffic signals, and landscape improvements. The City has successfully acquired \$4.7 million in Federal funding for the project, in addition to \$1.15 million of Measure M funds. Construction on the project began in April 2011 and is scheduled for completion in June 2012.

**CAPITAL PROJECTS
COMPLETED**

The City continues to be committed to job-creating infrastructure project for two reasons: 1) local public investment functions as local economic stimulus; and 2) construction costs have gone down significantly. Over the past year, the City completed the following projects:

- The Costeau Park Playground Renovation, which included installing new subsurface drainage, park benches, rubberized playground surfacing and new playground equipment.
- The Community Center Playground Renovation, which included refurbishing and restoring the existing security lights, removing the old surfacing of the play area and adding a new base layer, and adding new rubberized playground surfacing.

**COMMUNITY
DEVELOPMENT BLOCK
GRANT (CDBG)**

Over the past seven years, the City has been awarded Community Development Block Grant (CDBG) funds totaling over \$2,160,000. Over \$2,000,000 of these funds have been used for the partial rehabilitation of more than 140 affordable housing units for very low, low, and moderate income households in the City. In 2011, the City was awarded \$166,540 to renovate homes in the 248-unit Aliso Meadows Condominium Association. The remaining \$160,000 in grant monies have been used to complete a number of improvements and address deferred maintenance issues at the Florence Sylvester Memorial Senior Center. In 2011, the City was awarded \$62,453 to complete energy efficiency upgrades at the Center that include the installation of a solar panel system.

AWARDS AND ACKNOWLEDGEMENTS

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 Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the nineteenth consecutive year the City has received this prestigious award. The certificate is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards, and must satisfy both generally accepted accounting principles and applicable legal requirements.

The City also received the GFOA Distinguished Budget Presentation Award for its 2009-11 biennial budget document. To qualify for the GFOA award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

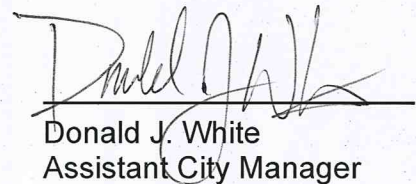
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Administrative Services Department.

In closing, without the effective leadership, guidance, and support provided by the City Council, preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

Respectfully submitted,



Bruce E. Channing
City Manager



Donald J. White
Assistant City Manager

CITY OF LAGUNA HILLS

ELECTED OFFICIALS AS OF JUNE 30, 2011



L. Allan Songstad, Jr
Mayor



Melody Carruth
Mayor Pro Tem



Randal Bressette
Council Member



Barbara Kogerman
Council Member



Joel Lautenschleger
Council Member

CITY OF LAGUNA HILLS

APPOINTED OFFICIALS AS OF JUNE 30, 2010



Donald J. White
Assistant City Manager/Deputy Treasurer



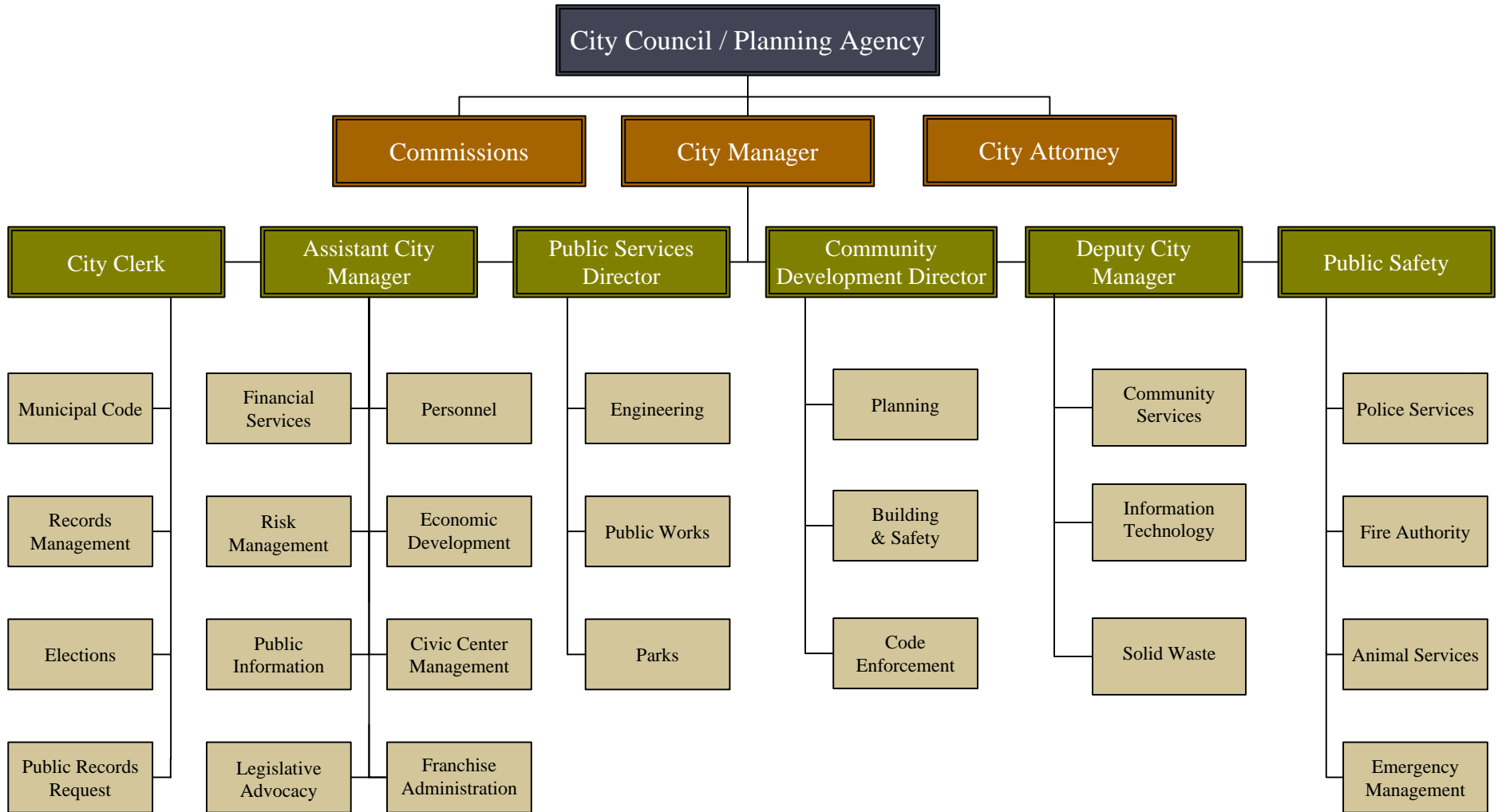
Bruce E. Channing
City Manager/Treasurer

◆ Gregory E. Simonian	City Attorney
◆ Peggy J. Johns	City Clerk
◆ Vernon A. Jones	Community Development Director
◆ David T. Reynolds	Deputy City Manager
◆ Kenneth H. Rosenfield	Director of Public Works/City Engineer
◆ Lt. Steven F. Doan	Police Chief (O.C. Sheriff Department)
◆ Div. Chief Edward Fleming	Fire Chief (OC. Fire Department)

CITY OF LAGUNA HILLS

ORGANIZATIONAL CHART

June 30, 2011





FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Laguna Hills
Laguna Hills, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laguna Hills, California (City), as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59 - *Financial Instruments Omnibus*.

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, each major fund, and the aggregate remaining fund information of the City of Laguna Hills, California, as of June 30, 2011, and the respective changes in financial position and cash flows where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages II-3 through II-14 and II-55 and II-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laguna Hills, California's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

Moss, Levy & Hartzheim

Moss, Levy and Hartzheim, LLP
Beverly Hills, California
December 1, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Laguna Hills offers the 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, 2011**. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter on page I-1 and the basic financial statements in the appropriate section.

Financial Highlights

Government-Wide

- The assets of the City of Laguna Hills exceeded its liabilities at the close of the most recent fiscal year by \$100,584,213. Of this amount, \$7,138,752 may be used to meet the City's ongoing obligations to its citizens and creditors.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the increase in the City's net assets resulting from the most recent fiscal year's operation was \$424,720, approximately 4%.
- Total revenues from all sources were \$22,964,982.
- The total cost of all City programs and projects was \$22,540,262. Approximately 19%, or \$4,287,302, of this amount is attributable to depreciation on the City's infrastructure assets.
- Governmental net assets were \$88,956,306 as of June 30, 2011, after recording the value of the City's infrastructure assets, net of accumulated depreciation.
- Governmental activities, which include certain capital projects and depreciation related to capital assets, increased the City's net assets by \$1,154,137.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$10,540,306.
- Total non-spendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were \$305,302.
- Total spendable fund balances were \$10,235,004. Of this amount,

approximately \$13% (\$1,318,164 total assigned) is constrained by the City's intent to be used for a specific purpose and 36% (\$3,653,349 total restricted) is restricted in their use by external restrictions, such as by creditors, debt covenants, grantors, contributors, or by laws and regulations.

- Total governmental fund balances decreased by \$1,110,196.
- At the end of the most recent fiscal year, the total fund balance for the general fund was \$7,160,283.
- General fund reported revenues exceeding expenditures by \$1,466,787.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Laguna Hills' basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statement themselves.

- (1) **Government-wide financial statements.** These statements are designed to provide readers with a broad overview of the City of Laguna Hills' finances, in a manner similar to a private-sector business. The following reports comprise the government-wide financial statements:

- a) *Statement of Net Assets.* This report presents information on all the assets and liabilities, with the difference between the two reported as the *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening, though it is important to consider other non-financial factors in accurately assessing the overall health of the City, such as the property tax base or condition of the roads, etc.; and
- b) *Statement of Activities.* The information presented in this report shows how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as *governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as *business-type*

activities).

The **governmental activities** of the City of Laguna Hills include general government, public services, community development, community services and public safety. Property taxes, sales and use taxes, vehicle in lieu taxes, transient occupancy taxes, and franchise fees finance most of these activities.

The business-type activity of the City of Laguna Hills pertains to the leasing of certain areas in the Laguna Hills Civic Center, which also houses City Hall.

The government-wide financial statements can be found on pages II-15 to II-17 of this report.

- (2) **Fund financial statements.** These statements show how the City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants, and other money. There are three types of funds, namely:

- a) Governmental funds. These statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information provides a short-term view of the City's general government operations and shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship between governmental activities and the governmental funds are reported in the reconciliation of government-wide and fund financial statements and in Note 1 in the Notes to the Basic Financial Statements.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of *combining statements* elsewhere in this

report.

- b) Proprietary funds. When the City charges for the services it provides, other than those services associated with the City's general governmental operations, these services are generally reported in proprietary funds. The proprietary fund is used to report the same function presented as *business-type activities* in the government-wide financial statements. The City uses the proprietary fund to account for its Civic Center leasing activity.
- c) Fiduciary funds. These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

The fund financial statements can be found on pages II-19 to II-26 of this report.

- (3) **Notes to the basic financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages II-27 to II-54 of this report.
- (4) **Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the budgetary comparisons for the general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government –Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator over time of the City's financial position. The City's combined net assets at the close of the most recent fiscal year ended June 30, 2011 were \$100,584,213, as shown on Table 1, on the following page.

By far the largest of the City's net assets (\$90.3 million, or 90% of total nets assets) reflects its investment in capital assets (land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should

be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There is \$16,801,768 in debt outstanding related to the acquisition and construction of these capital assets.

Table 1
Condensed Statement of Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 13,753	\$ 14,444	\$ 138	\$ 215	\$ 13,891	\$ 14,659
Capital assets	<u>95,327</u>	<u>94,015</u>	<u>11,543</u>	<u>12,207</u>	<u>106,870</u>	<u>106,222</u>
Total assets	<u>109,080</u>	<u>108,459</u>	<u>11,681</u>	<u>12,422</u>	<u>120,761</u>	<u>120,881</u>
Long-term liabilities outstanding	17,267	18,352	35	45	17,302	18,397
Other liabilities	<u>2,857</u>	<u>2,305</u>	<u>18</u>	<u>20</u>	<u>2,875</u>	<u>2,325</u>
Total liabilities	<u>20,124</u>	<u>20,657</u>	<u>53</u>	<u>65</u>	<u>20,177</u>	<u>20,722</u>
Net assets:						
Invested in capital assets, net of related debt	78,798	76,365	11,543	12,207	90,341	88,572
Restricted	3,653	3,935			3,653	3,935
Unrestricted	<u>6,505</u>	<u>7,502</u>	<u>85</u>	<u>150</u>	<u>6,590</u>	<u>7,652</u>
Total net assets	<u>\$ 88,956</u>	<u>\$ 87,802</u>	<u>\$ 11,628</u>	<u>\$ 12,357</u>	<u>\$ 100,584</u>	<u>\$ 100,159</u>

Another portion of the City's net assets, \$3,653,949 (3.6% of the total net assets), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net assets is unrestricted net assets of \$6,590,316, which may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's business-type activity involves the leasing of rentable areas in the Civic Center building. This 3-story building complex was renovated to accommodate the City offices and to add leasable spaces. Since June 28, 2004, the City government has operated from this facility. The occupancy rate was approximately 79% on June 30, 2011.

During the fiscal year ended June 30, 2011, the total revenue from all sources was \$22,964,982 and the cost of all activities was \$22,540,262, resulting in an overall increase in net assets of \$424,720. The City's governmental activities

increased total net assets by \$1,154,137 and the City's business-type activities decreased total net assets by \$729,417. The increase from governmental activities is primarily due to an influx in program revenues, in particular operating contributions for capital improvements. The decrease from business-type activities is largely attributable to depreciation. Of the \$1,190,752 of total operating expenses related to the City's property leasing activities, depreciation represents 58% (\$689,539) of that total.

The details of the changes in the City's Net Assets are shown in **Table 2** below.

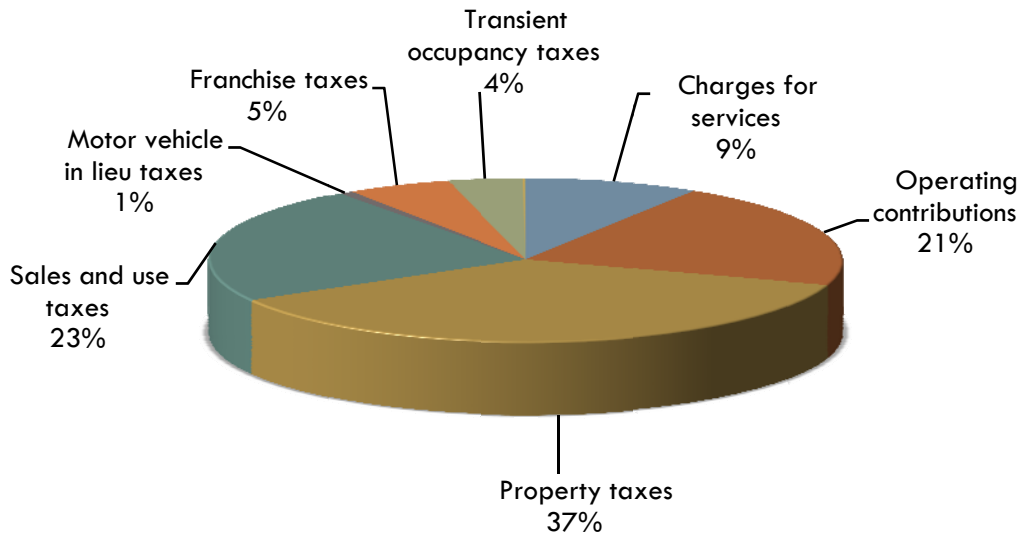
Table 2
Statement of Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 2,011	\$ 1,846	\$ 536	\$ 649	\$ 2,547	\$ 2,495
Operating Contributions	4,738	3,060			4,738	3,060
Capital Contributions						
General Revenues:						
Property taxes	8,187	8,573			8,187	8,573
Sales and use taxes	5,239	5,197			5,239	5,197
Other State subvention						
Franchise taxes	1,200	1,218			1,200	1,218
Transient occupancy taxes	870	752			870	752
Motor Vehicle in lieu taxes	155	99			155	99
Interest earnings	25	30	1	3	26	33
Miscellaneous revenues	4	21			4	21
Total revenues	<u>22,429</u>	<u>20,796</u>	<u>537</u>	<u>652</u>	<u>22,966</u>	<u>21,448</u>
Expenses:						
Legislative/executive	1,537	1,592			1,537	1,592
Administrative services	1,772	1,724			1,772	1,724
Public services	5,781	7,390			5,781	7,390
Community development	1,405	1,596			1,405	1,596
Community services	3,703	1,770			3,703	1,770
Public safety	6,488	6,598			6,488	6,598
Property leasing			1,191	1,125	1,191	1,125
Interest	664	636			664	636
Total expenses	<u>21,350</u>	<u>21,306</u>	<u>1,191</u>	<u>1,125</u>	<u>22,541</u>	<u>22,431</u>
Change in net assets before transfers	<u>1,079</u>	<u>(510)</u>	<u>(654)</u>	<u>(473)</u>	<u>425</u>	<u>(983)</u>
Transfers	<u>75</u>	<u>25</u>	<u>(75)</u>	<u>(25)</u>	-	-
Change in net assets	1,154	(485)	(729)	(498)	425	(983)
Net assets, beginning, as restated	<u>87,802</u>	<u>88,287</u>	<u>12,357</u>	<u>12,855</u>	<u>100,159</u>	<u>101,142</u>
Net assets, ending	<u>\$ 88,956</u>	<u>\$ 87,802</u>	<u>\$ 11,628</u>	<u>\$ 12,357</u>	<u>\$ 100,584</u>	<u>\$ 100,159</u>

Governmental Activities

The revenue sources from governmental activities presented in the preceding table are illustrated in a pie chart shown below as **Figure 1**, which illustrates the percentage relationship of these revenues to each other, as well as their impact on the City's total resources.

Figure 1
Revenue by Sources – Governmental Activities
FY 2010/11



As shown in the above pie chart, roughly 70% of the City's total governmental revenues are from taxes, comprised of property, sales and use, motor vehicle in lieu, franchise and transient occupancy taxes. Program revenues totaled 30% of the total resources, comprised of charges for services and operating contributions.

The City's expenses in connection with its governmental activities are categorized by function, namely: legislative/executive, administrative services, public services, community development, community services and public safety. The program revenues associated with these governmental activities are classified into three categories, which are charges for services, operating contributions and capital contributions. The relationships of the City's program revenues with the related governmental functions are illustrated in a graph shown as **Figure 2** on the following page.

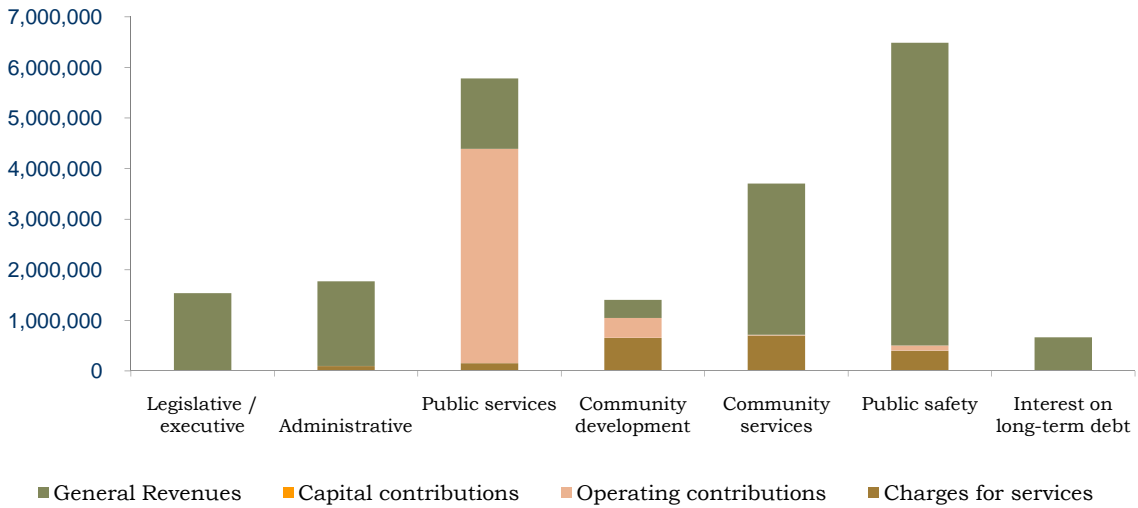
Expenses associated with governmental activities experienced only a very slight

increase of .2% this past year, which is largely attributable to capital related items in public services. Of the \$21,349,510 of expenses, depreciation of capital assets accounts for \$3,597,763 (17%) and the debt service interest payment on capital related items accounts for \$663,944 (3%).

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were \$6,749,054. Expenses related to governmental activities were \$21,349,510. The program revenues are generally not adequate to finance the governmental programs, so it is typical for governmental expenditures to be subsidized by general revenues. The City’s expenditures for public services and public safety are comparatively higher than the other expense categories, as shown in **Figure 2** below. The interest on long-term debt was \$663,944.

Figure2
FUNDING OF GOVERNMENTAL ACTIVITIES
FY 2010/11



Business-type Activities

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were \$535,455 and the operating expenses were \$1,190,752, resulting in a net operating loss of \$655,297, which includes a depreciation charge of \$689,539. After interest earnings of \$880 and transfers to the General Fund of \$75,000, the change in net assets at fiscal year-end was \$(729,417). The net cash provided by the leasing activities was \$8,980. The contra rent revenue associated with the occupied spaces for City Hall was \$597,478.

Analysis of Major Funds

As noted earlier, the City of Laguna Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

The focus of the City of Laguna Hills' *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Laguna Hills' financing requirements. In particular, fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$10,540,306, a decrease of \$1,110,196 from prior year's balance. Of the ending fund balance, \$305,302 is non-spendable fund balance, which represents the portion of fund balance that is either not in spendable form or are legally or contractually required to be maintained. Of the remaining \$10,235,004 in spendable fund balance, \$1,318,164 is assigned fund balance and \$5,263,491 is unassigned fund balance. Assigned fund balance includes amounts which are constrained by the City's intent to be used for a specific purpose. These include \$212,500 designated for the Self-Insurance Workers' Compensation Program, \$130,945 designated for Claims Liability, and a total of \$974,719 is designated for equipment maintenance of the Civic Center, Community Center, Sports Complex, and various parks.

The fund balance of the City's general fund decreased by \$261,941 from the prior fiscal year's balance. The fund balance of the non-major governmental funds decreased by \$842,731. These changes in fund balances are largely attributable to the transfers out to fund the capital outlay for certain capital projects in the capital projects fund.

Proprietary funds:

The proprietary fund provides the same type of information found in the government-wide financial statements. The City's proprietary fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,946. The City is a tenant using approximately 20,843 square feet of the building. The enterprise fund does not charge the City rent. The estimated annual rent for the space

would be approximately \$598,000.

The statement of revenue, expenses, and change in net assets shows a net operating loss of \$655,297 before the interest earnings of \$880 and net transfers to the City of \$75,000. The net effect is a decrease in the ending net assets of \$729,417, which is largely attributable to depreciation. It should be noted that before accounting for depreciation the net operating income would be \$34,242 from the City's leasing related activities.

General Fund Budgetary Highlights

At fiscal year-end, total revenues were below the budgeted amount by \$2,271,746, as a result of the significant slowdown in California's economy. The slow economic recovery brought in revenues 11% lower than the original estimates in revenues for the fiscal year.

The total operating expenditures came in lower than the budgeted amount by \$807,161. The difference in the budgeted transfers in and transfers out can be attributed to capital project budget carry-overs.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$106,869,313 net of accumulated depreciation. This investment includes land, land improvements, easements, right of ways, building, building improvements, equipment, machinery, construction in progress, and infrastructure. In accordance with the requirement of GASB 34, the value of the City's infrastructure assets are included in this report, which include streets, sidewalks, curbs, gutters, playground equipment, and similar assets that are considered public property. Equipment and machinery includes vehicles, furniture, computer hardware and software.

A schedule showing the changes in the City's capital assets are shown in the following **Table 3** on the next page.

Table 3
City of Laguna Hills Capital Assets (Net of depreciation)
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land & improvements	\$ 32,130	\$ 31,739	\$ 2,855	\$ 2,855	\$ 34,985	\$ 34,594
Rights of ways/Easements	3,062	1,957			3,062	1,957
Building & improvements	7,263	7,923	8,687	9,352	15,950	17,275
Equipment and machinery	835	1,034			835	1,034
Construction in progress	1,704	2,141			1,704	2,141
Infrastructure						
Street signs	194	191			194	191
Storm drains	2,482	2,560			2,482	2,560
Streets	37,035	35,481			37,035	35,481
Parks inventory	1,590	1,622			1,590	1,622
Curbs, sidewalks, gutters	7,076	7,344			7,076	7,344
Bridges	1,956	2,023			1,956	2,023
Total capital assets net of depreciation	<u>\$ 95,327</u>	<u>\$ 94,015</u>	<u>\$ 11,542</u>	<u>\$ 12,207</u>	<u>\$ 106,869</u>	<u>\$ 106,222</u>

Additional information on the City's capital assets can be found in Note 5 on page II-44 of this report.

Long-term Debt

On January 26, 2010, to take advantage of favorable interest rates, the City issued \$17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust used to service the future debt requirements of the 2001 and 2003 Certificates of Participation, which were issued to finance a portion of the costs to develop certain property, including the Civic Center Renovation Project and Community Center. As a result, the balance of the 2001 and 2003 COPs are considered to be defeased and the liability for those bonds has been removed. At fiscal year-end June 30, 2011, the per capita liability of the City of Laguna Hills was \$529.43. Additional information on the City's long-term debt can be found in Note 6 on page II-45 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2011/12 - 2012/13 shows that the City continues to live within its means. The major goals and issues that dominated the budgeting process for this biennial budget are discussed in the transmittal letter together with the measures adopted to address the prevailing issues.

Requests for Information

This financial report is designed to provide a general overview of the City of Laguna Hills' finances to all interested parties. Any questions regarding this report or requests for additional information should be addressed to the City's Finance Department, at 24035 El Toro Road, Laguna Hills, California, 92653.

* * * * *

CITY OF LAGUNA HILLS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (note 2)	\$ 8,604,113	\$ 168,990	\$ 8,773,103
Taxes receivable	1,539,611		1,539,611
Accounts receivable, net of allowance	313,775	37,052	350,827
Interest receivable	9,142		9,142
Prepaid items	38,952	7,034	45,986
Deferred charges, net of accumulated amortization	273,003		273,003
Due from other governments	936,960		936,960
Internal balances	75,000	(75,000)	
Restricted cash and investments (note 2)	1,962,813		1,962,813
Capital assets, not depreciated (note 5)	22,459,001	2,855,425	25,314,426
Capital assets, net of accumulated depreciation (note 5)	<u>72,867,749</u>	<u>8,687,138</u>	<u>81,554,887</u>
Total assets	<u>109,080,119</u>	<u>11,680,639</u>	<u>120,760,758</u>
LIABILITIES			
Accounts payable	1,376,519		1,376,519
Accrued liabilities	368,791	17,708	386,499
Interest payable	275,110		275,110
Due to other governments	835,992		835,992
Deposits		35,024	35,024
Noncurrent Liabilities (note 6):			
Due within one year	1,228,228		1,228,228
Due in more than one year	<u>16,039,173</u>		<u>16,039,173</u>
Total liabilities	<u>20,123,813</u>	<u>52,732</u>	<u>20,176,545</u>
NET ASSETS			
Invested in capital assets, net of related debt	78,797,985	11,542,563	90,340,548
Restricted for:			
Public services	1,679,083		1,679,083
Community services	59,264		59,264
Community development	103,440		103,440
Debt service	1,811,562		1,811,562
Unrestricted	<u>6,504,972</u>	<u>85,344</u>	<u>6,590,316</u>
Total net assets	<u>\$ 88,956,306</u>	<u>\$ 11,627,907</u>	<u>\$ 100,584,213</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Contributions	Capital Contributions	
Governmental activities:					
Legislative/executive	\$ 1,537,287	\$ 2,236	\$ -	\$ -	\$ 2,236
Administrative services	1,771,910	96,726			96,726
Public services	5,781,123	155,373	4,233,919		4,389,292
Community development	1,404,624	653,918	391,771		1,045,689
Community services	3,702,911	701,040	12,390		713,430
Public safety	6,487,711	401,665	100,016		501,681
Interest expense	663,944				
Total governmental activities	<u>21,349,510</u>	<u>2,010,958</u>	<u>4,738,096</u>		<u>6,749,054</u>
Business-type activities:					
Property leasing	1,190,752	535,455			535,455
Total business-type activities	<u>1,190,752</u>	<u>535,455</u>			<u>535,455</u>
Total primary government	<u>\$ 22,540,262</u>	<u>\$ 2,546,413</u>	<u>\$ 4,738,096</u>	<u>\$ -</u>	<u>\$ 7,284,509</u>

General revenues:
Taxes:
 Property taxes
 Sales and use tax
 Franchise tax
 Transient occupancy tax
Intergovernmental, unrestricted:
 Motor vehicle in lieu
Investment earnings
Miscellaneous revenue
Transfers
 Total general revenues and transfers

Changes in net assets

Net assets - beginning

Net assets - ending

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,535,051)	\$ -	\$ (1,535,051)
(1,675,184)		(1,675,184)
(1,391,831)		(1,391,831)
(358,935)		(358,935)
(2,989,481)		(2,989,481)
(5,986,030)		(5,986,030)
(663,944)		(663,944)
<u>(14,600,456)</u>		<u>(14,600,456)</u>
	(655,297)	(655,297)
	<u>(655,297)</u>	<u>(655,297)</u>
<u>(14,600,456)</u>	<u>(655,297)</u>	<u>(15,255,753)</u>
8,186,735		8,186,735
5,238,949		5,238,949
1,199,882		1,199,882
869,505		869,505
154,787		154,787
25,267	880	26,147
4,468		4,468
75,000	(75,000)	
<u>15,754,593</u>	<u>(74,120)</u>	<u>15,680,473</u>
1,154,137	(729,417)	424,720
87,802,169	12,357,324	100,159,493
<u>\$ 88,956,306</u>	<u>\$ 11,627,907</u>	<u>\$ 100,584,213</u>

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CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Assets					
Cash and investments	\$ 8,604,113	\$ -	\$ -	\$ -	\$ 8,604,113
Receivables:					
Taxes	1,539,611				1,539,611
Accounts	424,227				424,227
Interest	7,063		2,079		9,142
Prepaid items	38,952				38,952
Due from other funds (note 3)	1,736,622			1,863,623	3,600,245
Due from other governments	918,220			18,740	936,960
Advances to other funds	266,350				266,350
Restricted assets:					
Cash and investments	153,330		1,809,483		1,962,813
Total assets	<u>\$ 13,688,488</u>	<u>\$ -</u>	<u>\$ 1,811,562</u>	<u>\$ 1,882,363</u>	<u>\$ 17,382,413</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,376,519	\$ -	\$ -	\$ -	\$ 1,376,519
Deferred revenues	450,470			18,740	469,210
Accrued liabilities	368,791				368,791
Due to other funds (note 3)	3,518,269			6,976	3,525,245
Due to other governments	814,156			21,836	835,992
Advances from other funds				266,350	266,350
Total liabilities	<u>6,528,205</u>			<u>313,902</u>	<u>6,842,107</u>
Fund balances:					
Nonspendable	305,302				305,302
Restricted			1,811,562	1,841,787	3,653,349
Assigned	1,318,164				1,318,164
Unassigned	5,536,817			(273,326)	5,263,491
Total fund balances	<u>7,160,283</u>		<u>1,811,562</u>	<u>1,568,461</u>	<u>10,540,306</u>
Total liabilities and fund balances	<u>\$ 13,688,488</u>	<u>\$ -</u>	<u>\$ 1,811,562</u>	<u>\$ 1,882,363</u>	<u>\$ 17,382,413</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances of governmental funds	\$ 10,540,306
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Accounts receivable allowance for doubtful accounts.	(110,452)
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	95,326,750
Long term debt, deferred charges, compensated absences, and claims and judgements that have not been included in the governmental fund activity.	(16,994,398)
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(275,110)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>469,210</u>
Net assets of governmental activities	<u><u>\$ 88,956,306</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 10,353,376	\$ -	\$ -	\$ 160,305	\$ 10,513,681
Licenses and permits	524,068			26,087	550,155
Intergovernmental revenues	5,483,221			4,540,064	10,023,285
Charges for current services	1,047,727				1,047,727
Fines and forfeitures	401,665				401,665
Investment income	16,514		8,754	11,638	36,906
Total revenues	<u>17,826,571</u>		<u>8,754</u>	<u>4,738,094</u>	<u>22,573,419</u>
Expenditures:					
Current:					
Legislative/executive	1,528,226				1,528,226
Administrative services	1,575,903			15,583	1,591,486
Public services	4,143,321			47,521	4,190,842
Community development	1,104,217			300,407	1,404,624
Community services	1,632,677			13,711	1,646,388
Public safety	6,375,440			100,016	6,475,456
Capital outlay		4,972,864		40,388	5,013,252
Debt service:					
Interest			712,976		712,976
Principal retirement			1,090,000		1,090,000
Total expenditures	<u>16,359,784</u>	<u>4,972,864</u>	<u>1,802,976</u>	<u>517,626</u>	<u>23,653,250</u>
Excess (deficiency) of revenues over expenditures	<u>1,466,787</u>	<u>(4,972,864)</u>	<u>(1,794,222)</u>	<u>4,220,468</u>	<u>(1,079,831)</u>
Other financing sources (uses):					
Lawsuit settlement	(105,365)				(105,365)
Transfers in (note 4)	5,603,674	4,972,864	1,788,698	66,682	12,431,918
Transfers out (note 4)	(7,227,037)			(5,129,881)	(12,356,918)
Total other financing sources (uses)	<u>(1,728,728)</u>	<u>4,972,864</u>	<u>1,788,698</u>	<u>(5,063,199)</u>	<u>(30,365)</u>
Net change in fund balances	(261,941)		(5,524)	(842,731)	(1,110,196)
Fund balances, beginning of fiscal year	<u>7,422,224</u>		<u>1,817,086</u>	<u>2,411,192</u>	<u>11,650,502</u>
Fund balances, end of fiscal year	<u>\$ 7,160,283</u>	<u>\$ -</u>	<u>\$ 1,811,562</u>	<u>\$ 1,568,461</u>	<u>\$ 10,540,306</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$ (1,110,196)
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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.	1,311,665
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	1,121,565
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To record as an expense the net change in compensated absences and claims and judgments in the Statement of Activities.	(56,864)
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Accrued interest for Certificates of Participation. This is the net change in accrued interest for the current period.	17,467
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.	<u>(129,500)</u>
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Change in net assets of governmental activities	<u><u>\$ 1,154,137</u></u>
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See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Enterprise - Property Leasing
ASSETS	
Current assets:	
Cash and investments (note 2)	\$ 168,990
Accounts receivable	37,052
Prepaid items	7,034
Total current assets	<u>213,076</u>
Noncurrent assets:	
Capital assets not depreciated	2,855,425
Capital assets, net of accumulated depreciation	8,687,138
Total noncurrent assets	<u>11,542,563</u>
Total assets	<u>11,755,639</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	17,708
Due to other funds (note 3)	75,000
Total current liabilities	<u>92,708</u>
Noncurrent liabilities:	
Deposits	35,024
Total liabilities	<u>127,732</u>
NET ASSETS	
Net assets, invested in capital assets	11,542,563
Unrestricted	85,344
Total net assets	<u>\$ 11,627,907</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Enterprise - Property Leasing</u>
Operating revenues:	
Rental fees	\$ 528,457
CAM revenues	3,460
Other current service fees	3,538
Total operating revenues	<u>535,455</u>
Operating expenses:	
Direct operating expenses	430,230
Advertising and promotion	5,431
Administrative and professional fees	4,504
Repairs and maintenance	61,048
Depreciation expense	689,539
Total operating expenses	<u>1,190,752</u>
Operating income/(loss)	<u>(655,297)</u>
Nonoperating revenues (expenses):	
Interest income	880
Total nonoperating revenues (expenses)	<u>880</u>
Income/(loss) before transfers	(654,417)
Transfers out	(75,000)
Change in net assets	<u>(729,417)</u>
Net assets, beginning of fiscal year	<u>12,357,324</u>
Net assets, end of fiscal year	<u>\$ 11,627,907</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Enterprise - Property Leasing
Cash flows from operating activities:	
Receipts from tenants	\$ 509,414
Payments to suppliers for goods and services	(500,434)
Net cash provided by (used for) operating activities	8,980
Net cash flows from noncapital financing activities:	
Cash paid to other funds	(75,000)
Net cash used for noncapital financing activities	(75,000)
Cash flows from capital and related financing:	
Acquisition of capital assets	(25,446)
Net cash used for capital and related financing activities	(25,446)
Cash flows from investing activities:	
Interest on investments	880
Net cash provided by investing activities	880
Net increase (decrease) in cash and cash equivalents	(90,586)
Cash and cash equivalents at beginning of fiscal year	259,576
Cash and cash equivalents at end of fiscal year	\$ 168,990
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (655,297)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	689,539
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(15,632)
(Increase) decrease in prepaid items	2,286
Increase (decrease) in accrued liabilities	(1,507)
Increase (decrease) in deposits payable	(10,409)
Total adjustments	664,277
Net cash provided by operating activities	\$ 8,980
Non-cash investing, capital, and financing activities:	
During the fiscal year ending June 30, 2011, there were no non-cash investing, capital, or financing items.	

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2011

ASSETS

Cash and investments	\$ 285,009
	<u>285,009</u>
Total assets	<u>\$ 285,009</u>

LIABILITIES

Deposits	\$ 285,009
	<u>285,009</u>
Total liabilities	<u>\$ 285,009</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

Notes to the Financial Statements
June 30, 2011

(1) Reporting Entity and Summary of Significant Accounting Policies

a) Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Financial Reporting Entity

The City of Laguna Hills (the City) was incorporated on December 20, 1991 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, parks, solid waste, public improvements, planning and zoning, building and safety, community services, and general administrative services.

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 the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB Pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under

the *economic resources measurement focus*, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

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 expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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 expenditures.

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 major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *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. For this purpose, the City considers its general revenue, with the exception of property taxes, to be available if they are collected within 90 days of the end of the fiscal year. The City uses a 180-day availability period for special revenue grants and contributions, in accordance with the provisions set forth in Governmental Accounting, Auditing, and Financial Reporting (GAFR), Chapter 5, page 64, paragraph 1.

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 non-exchange* 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 non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

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

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary Funds and Fiduciary Funds

The City's enterprise fund is a proprietary fund. In the fund financial statements, 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 and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, however, they do use the full accrual basis of accounting to recognize receivables and payables. The City has no internal service funds.

Proprietary fund operating revenues, such as rental fees, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment income result from non-exchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as another 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 expenditures.

c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. It is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to pay the City's debt service on its COP issue.

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition and construction of the City's capital projects.

The City reports the following major proprietary fund:

Property Leasing

The City Hall Fund is used to account for activity pertaining to the leasing of certain areas in the Laguna Hills Civic Center, which has been the City Hall site and seat of government since June 28, 2004.

Additionally, the City reports the following fund types:

Special Revenue Funds

The Special Revenue Funds are used to account for certain revenue sources set aside for specific purposes, to avoid including restricted revenues within the general fund and to provide separate information on the sources and applications of these restricted sources.

Fiduciary Fund Type

The City has one Fiduciary Fund Type, an Agency Fund, used to account for construction deposits and trust monies received from builders, land developers, and other agencies.

d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets

“Total fund balances” of the City’s governmental funds, \$10,540,306, differs from “net assets” of governmental activities, \$88,956,306, reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Accounts Receivable Related Items

When receivables that are to be used in governmental activities are deemed to be uncollectible in the short term the statement of net assets includes an allowance to reflect the true assets of the City as a whole.

Miscellaneous damages reimbursement	\$ 7,405
Traffic accidents reimbursement	<u>103,047</u>
	<u>\$110,452</u>

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$141,205,464
Accumulated depreciation	<u>(45,878,714)</u>
	<u>\$ 95,326,750</u>

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and corresponding deferred charges and refunding (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2011 were:

Certificates of Participation	\$16,100,000
COP deferred charges, net accumulated amortization of \$28,474	(273,003)
COP deferred refunding loss, net accumulated amortization of \$40,800	(391,196)
COP bond premium, net of accumulated amortization of \$113,989	1,092,964
Claims and judgments	119,106
Compensated absences	346,527
	<u>\$16,994,398</u>

Accrued Interest

Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on Certificates of Participation.

Accrued interest	<u>\$ 275,110</u>
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Other Long-term Assets

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Sales tax triple flip	\$316,448
Housing fund deposits	18,739
Miscellaneous accounts receivable	134,023
	<u>\$469,210</u>

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental and business-type activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

(e) Explanation of Differences between Governmental Fund
Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds, \$(1,110,196), differs from the "change in net assets" for governmental activities, \$1,154,137, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the

statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreased by the amount of depreciation expense charged for the year.

Capital outlay	\$ 5,013,252
Less amounts expended	(159,037)
Add signage	55,213
Depreciation expense	<u>(3,597,763)</u>
	<u>\$ 1,311,665</u>

Long-term Debt Transactions

The repayment of principal and cost of bond issuance (deferred charges) are reported as expenditures in the governmental fund. The proceeds from COP debt issuance and bond premium are reported as other financing sources. The net amount has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, these payments reduce and proceeds increase the liabilities in the statement of net assets.

Amortization of unamortized premium, deferred charges and loss on refunding is not an expense of the governmental funds, but under the full accrual method is a component of interest expense.

Repayment of debt principal	\$ 1,090,000
Issuance cost and premium amortized	<u>31,565</u>
	<u>\$1,121,565</u>

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 governmental funds. This includes the net change in claims and judgments (see also Note 1 (j), Note 7 General Liability Insurance and Self-funded Workers' Compensation, and Note 6 Compensated Absences.)

The City provides a Retiree Health Savings Plan for its employees, wherein the City deposits the equivalent of the balance of the eligible employee's accumulated sick leave balance to the plan on the eligible employee's anniversary hire date (see also Note 1 (k) and Note 6 Compensated Absences).

Claims and judgments	\$ 25,175
Compensated absences	<u>31,689</u>
	<u>\$ 58,864</u>

Accrued Interest

The statement of activities includes changes in accrued interest on Certificates of Participation.

Accrued interest	<u>\$ (17,467)</u>
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Other Long-term Assets

Revenues that do not provide current financial resources are not reported as revenue in the governmental funds.

Sales tax triple flip	\$(89,485)
Housing fund deposits	(63,585)
Miscellaneous accounts receivable	<u>23,570</u>
	<u>\$(129,500)</u>

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between business-type and governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

(f) Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

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 or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for amounts held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

(g) Statement of Cash Flows

The enterprise proprietary fund participates in the City-wide cash and investments pool, which provides immediate access to invested funds. Accordingly, all cash and investments are considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

(h) Capital Assets

Capital assets are capital outlay for assets of a permanent nature, valued at \$5,000 or more or the usage of which is expected to be more than five years. Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government – wide financial statements and in the fund financial statements of the enterprise fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class, are as follows:

Building and improvements	20 years
Machinery and equipment	5-20 years
Infrastructure	5-60 years

(i) Property Taxes

The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 am on the first day of January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on January 1 each year, and are delinquent, if unpaid, on August 31.

(j) Claims and Judgments Payable

As of July 1, 2003, the City became a member of the Exclusive Risk Management Authority of California. The annual premium included estimates of amounts paid for reported claims and incurred-but-not-reported claims based upon past experience, modified for current trends and information. Premiums are recorded as expenditures when they become payable from expendable available resources. When it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends and calculation of incurred but not reported claims (IBNR), the City accrues

the estimated liability for the expected claims and judgments. These amounts are recorded in the government-wide financial statements. A liability is reported in the governmental funds only if there is an amount due and payable at June 30.

(k) Compensated Absences

Vacation time is provided to all full-time and extended part-time employees. Upon separation or retirement from City service, all employees shall be compensated at their prevailing pay rate for their accrued vacation. No employee shall be allowed to carry over more than 320 hours of vacation time from one fiscal year to the next. At the start of the fiscal year, if an employee has more than 320 hours accrued, the City will automatically cash out any hours in excess of 320.

The City provides an ICMA Vantage Care Retirement Health Savings Plan to its full-time employees who have reached ten (10) years of service with the City. This employer-sponsored retiree health benefit allows employees to accumulate assets to pay for medical expenses upon retirement from the City or age 50 on a tax-free basis. The employee's beneficiary receives the assets of the individual plan after the employee's death. The assets of the individual plans are not subject to claims of the City's creditors. The start-up contribution for employees will be based on their accumulated sick leave hours in excess of 160 hours upon completion of ten (10) years of service to the City, at their prevailing pay rate. Thereafter, annual contributions will be made to each employee's account for their unused sick leave hours in excess of 160 hours on June 30th of each fiscal year at the employees' prevailing pay rate. Upon separation from employment, the City will make a final contribution on behalf of the employee equivalent to all the unused sick leave balance of the employee at the employee's prevailing pay rate at the time of separation. The City also contributes on behalf of each Participant \$5,000 upon completion of ten years of service and annually thereafter on the Participant's employment anniversary date.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(l) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The City has chosen to report the expenditures when benefitted.

(m) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

(n) Budgetary Information

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for certain special revenue funds and capital projects funds, which adopt project length budgets and debt service funds that are not budgeted, as effective budgetary control is achieved through debt indenture provisions. The Housing Set Aside fund and Senior Mobility Program fund did not have an adopted budget during the current fiscal year

(o) Deficit Fund Balances/Net Assets

Nonmajor funds

A deficit fund balance of \$6,976 exists in the CR&R Recycling Special Revenue Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$266,350 exists in the Public Art Special Revenue Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

(p) New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, "Balance Reporting and Governmental Fund Type Definitions". This Statement is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity section of this footnote.

The definitions of the General fund, special revenue fund type, capital projects fund type, and permanent fund type are clarified by the provisions in this statement.

Governmental Accounting Standards Board Statement No.59

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 59, "Financial Instruments Omnibus". This Statement is effective for reporting periods beginning after June 15, 2010. The objective of this Statement is to establish standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this statement did not have an effect on the City's basic financial statements for the fiscal year ended June 30, 2011.

(2) Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments at June 30, 2011, are reported in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 8,773,103
Restricted cash and investments	1,962,813
Statement of Fiduciary Net Assets:	
Cash and investments	<u>285,009</u>
Total cash and investments	<u><u>\$11,020,925</u></u>

Cash and investments at June 30, 2011, consisted of the following:

Cash on hand		\$ 1,750
Pooled Deposits:		
Demand deposits	\$ 2,924,383	
Certificates of deposit	<u>570,957</u>	
Total Pooled Deposits		3,495,340
Pooled Investments:		
Local Agency Investment Fund		5,561,022
Restricted cash and investments:		
Local Agency Investment Fund	1,809,483	
Demand deposits	<u>153,330</u>	
Total restricted cash and investments		<u>1,962,813</u>
Total cash and investments		<u><u>\$ 11,020,925</u></u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarterly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$2,924,383 and the bank balance was \$2,885,828. The difference represents outstanding checks and other reconciling items.

<u>Pooled Deposits</u>	<u>Carrying Amount</u>
Demand Deposits:	
Bank Balance	\$ 2,885,828
Plus: Deposits in transit	51,897
Less: Outstanding warrants	<u>(13,342)</u>
Book Balance	2,924,383
Certificates of Deposit	<u>570,957</u>
Total Pooled Deposits	<u>\$ 3,495,340</u>

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a fair value of 110% of a city's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes having a fair value of 150% of a city's total deposits. The City's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

In addition, the Transaction Account Guarantee Program provides for a guarantee through December 31, 2012, of all amounts in excess of \$250,000 held in noninterest-bearing transaction accounts at FDIC-insured institutions that agree to participate in the program. Noninterest-bearing transaction accounts are transaction accounts "with respect to which interest is neither accrued nor paid and on which the insured depository institution does not reserve the right to require advance notice of an intended withdrawal." This definition covers traditional demand deposit checking accounts that allow for an unlimited number of deposits and withdrawals at any time.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Authorized Investments

Under the provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- U.S. Treasury bills
- U.S. Treasury notes, bonds or money market funds
- Certificates of deposit
- Money market mutual funds
- State Treasurer's Local Agency Investment Fund
- Overnight Government (U.S. Treasuries, Agencies, and Instrumentalities) Securities Investment Account managed by the City's primary bank
- Overnight Commercial Paper Investment Account managed by the City's primary bank
- Overnight repurchase agreements managed by the City's primary bank where market value of the repurchase agreement is 102 percent or greater than the value of the funds borrowed
- Commercial paper
- Prime Banker's Acceptances

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

GASB Statement No. 40

The issuance of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, established the existing standards for providing note disclosures

about a government's deposits and investments. This statement is designed to inform the user about deposit and investment risk and how it affects the entity's ability to provide services and meet its obligations as they become due. It requires an entity to disclose custodial credit risk only if they have:

- Deposits that are not insured and not collateralized, or that are collateralized with securities that are held by the bank or the bank's trust department or agent, but not in the government's name
- Investments that are not insured and are held by the other party or its trust department or agent, but not in the government's name.

The GASB also concluded that investments in mutual funds and external investment pools are not exposed to custodial credit risk and, therefore, do not have to be included in this disclosure.

Credit Risk

The City's investment policy limits investments in commercial paper and banker's acceptance to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policies further limits its investment choices. As of June 30, 2011, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization. Investments in money market mutual funds are unrated, as well.

Concentration of Credit Risk

The City does not place a limit on the amount that may be invested with any one institution, with the exception of certificates of deposits. According to GASB 40, there is potential concentration of credit risk if more than 5 percent of the entity's investments are in any one issuer. As of June 30, 2011, none of the City's deposits or investments had been exposed to concentration of credit risk.

Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2011, none of the City's deposits or investments had been exposed to custodial credit risk.

Interest Rate Risk

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest

rates. The City limits the investment maturities for operating funds to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenue. The City has elected the segment time distribution method to present the investment maturities as follows:

<u>Investment Type</u>	<u>6 months or less</u>	<u>Fair Value</u>
Local Agency Investment Funds	\$ 5,561,022	\$ 5,561,022
Investment with Fiscal Agent: Local Agency Investment Funds	<u>1,809,483</u>	<u>1,809,483</u>
Total	\$ <u>7,370,505</u>	\$ <u>7,370,505</u>

(3) Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2011, were as follows.

<u>Funds:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Major Governmental:</u>		
General	\$ 1,736,622	\$ 3,518,269
<u>Non-major Governmental:</u>		
<u>Special Revenue Funds:</u>		
Measure M Turn Back & Discretionary	365,709	
Proposition 1B	476,833	
Senior Mobility Program	21,836	
CARITS	804,331	
Redevelopment Tax Increment	103,440	
Beverage Recycling	45,153	
CR&R Recycling Fee		6,976
C & D Forfeited Deposits	10,529	
AB 939 Surcharge Grant	10,558	
Grants and Contributions	25,234	
<u>Major Proprietary:</u>		
Enterprise-Property Leasing		<u>75,000</u>
Total	\$ <u>3,600,245</u>	\$ <u>3,600,245</u>

Outstanding balances at the end of the fiscal year between funds are reported as "due to/from other funds". These balances are the result primarily of interfund transfers that have not yet been funded.

Advances to and from other funds at June 30, 2011, were as follows:

<u>Funds:</u>	<u>Advances to other funds</u>	<u>Advances from other funds</u>
<u>Major Governmental:</u>		
General	\$ 266,350	\$ -
<u>Non-major Governmental:</u>		
<u>Special Revenue Funds:</u>		
Public Art		266,350
Total	\$ 266,350	\$ 266,350

These outstanding balances at the end of the fiscal year are the result interest-free advances from the General Fund to the Public Art Fund to cover the costs of the City's Civic Center Public Art Program. The repayment of this advance will be contingent on development as public art in lieu fees and grant funding for this project are generated in the coming years.

(4) Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2011 are as follows:

<u>Paying Fund</u>	<u>Transfers Out</u>	<u>Receiving Fund</u>	<u>Transfers In</u>
<u>Major Governmental:</u>		<u>Major Governmental:</u>	
General	\$ 7,227,037	General	\$ 5,603,674
		Capital Projects	4,972,864
		Debt Service	1,788,698
<u>Non-major Governmental:</u>		<u>Non-major Governmental:</u>	
<u>Special Revenue Funds:</u>		<u>Special Revenue Funds:</u>	
Gas Tax	1,409,197	Senior Mobility Program	3,097
Measure M Turn Back & Discretionary	1,464,545	Redevelopment Tax Increment	63,585
AB 2766	92,011		
Proposition 42	453,986		
Proposition 1B	157,215		
FCPP	1,276,883		
CARITS	54,055		
Housing Set Aside	63,585		
Grants & Contributions	144,704		
Public Art	13,700		
<u>Major Proprietary:</u>			
Enterprise-Property Leasing	75,000		
Totals	\$ 12,431,918	Totals	\$ 12,431,918

Interfund Transfers are principally used to 1) provide available funds to the Capital Projects Fund for interest and principal payments on the City's long-term debt and 2) supply the Capital Projects Fund with funding necessary to accomplish those projects approved by the City Council. During the fiscal year ended June 30, 2011, there were no significant interfund transfers that were not expected, budgeted for, unusual, or of a non-routine nature.

(5) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at</u> <u>July 1, 2010</u>	<u>Tranfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2011</u>
Governmental activities:					
Buildings and improvements	\$ 13,198,419	\$ -	\$ -	\$ -	\$ 13,198,419
Machinery and equipment	2,369,113				2,369,113
Land improvements	23,346,395	1,639,491	600		24,986,486
Infrastructure	<u>75,590,915</u>	<u>471,398</u>	<u>2,130,132</u>		<u>78,192,445</u>
Total cost of depreciable assets	<u>114,504,842</u>	<u>2,110,889</u>	<u>2,130,732</u>		<u>118,746,463</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ 5,275,619		659,921		\$ 5,935,540
Machinery and equipment	1,334,994		199,285		1,534,279
Land improvements	9,300,660		1,249,324		10,549,984
Infrastructure	<u>26,369,678</u>		<u>1,489,233</u>		<u>27,858,911</u>
Total accumulated depreciation	<u>42,280,951</u>		<u>3,597,763</u>		<u>45,878,714</u>
Net depreciable assets	<u>72,223,891</u>		<u>(1,467,031)</u>		<u>72,867,749</u>
Land	17,693,529				17,693,529
Rights of way/Easements	1,956,600		1,104,928		3,061,528
Construction in progress	<u>2,141,065</u>	<u>(2,110,889)</u>	<u>1,682,853</u>	<u>(9,085)</u>	<u>1,703,944</u>
Total cost of non-depreciable assets	<u>21,791,194</u>	<u>(2,110,889)</u>	<u>2,787,781</u>	<u>(9,085)</u>	<u>22,459,001</u>
Total capital assets, net	<u>\$ 94,015,085</u>	<u>\$ -</u>	<u>\$ 1,320,750</u>	<u>\$ (9,085)</u>	<u>\$ 95,326,750</u>
Business-type activities:					
Buildings and improvements	<u>\$ 13,765,338</u>	<u>\$ -</u>	<u>\$ 25,446</u>	<u>\$ -</u>	<u>\$ 13,790,784</u>
Total cost of depreciable assets	<u>13,765,338</u>		<u>25,446</u>		<u>13,790,784</u>
Less accumulated depreciation for:					
Buildings and improvements	<u>4,414,107</u>		<u>689,539</u>		<u>5,103,646</u>
Total accumulated depreciation	<u>4,414,107</u>		<u>689,539</u>		<u>5,103,646</u>
Net depreciable assets	9,351,231		(664,093)		8,687,138
Land	<u>2,855,425</u>				<u>2,855,425</u>
Total capital assets, net	<u>\$ 12,206,656</u>	<u>\$ -</u>	<u>\$ (664,093)</u>	<u>\$ -</u>	<u>\$ 11,542,563</u>

Depreciation expensed was charged in the following functions in The Statement of Activities:

Governmental activities:	
Legislative/executive	\$ 9,061
Administrative services	138,832
Public services	1,475,831
Community development	
Community services	1,961,784
Public safety	<u>12,255</u>
	3,597,763
Business-type activities:	
Property leasing	<u>689,539</u>
Total	<u>\$ 4,287,302</u>

(6) Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities :

	<u>Balance at</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2011</u>	<u>Amounts Due</u> <u>in One Year</u>
Certificates of Participation:					
2010 COP	\$ 17,190,000	\$ -	\$ 1,090,000	\$ 16,100,000	\$ 1,130,000
Deferred loss on refunding	(419,996)		(28,800)	(391,196)	(28,800)
Unamortized premium	<u>1,173,428</u>		<u>80,464</u>	<u>1,092,964</u>	<u>80,464</u>
Total Certificates of Participation	<u>17,943,432</u>		<u>1,141,664</u>	<u>16,801,768</u>	<u>1,181,664</u>
Other Liabilities:					
Compensated absences	314,838	231,082	199,393	346,527	34,653
Claims and judgments	<u>93,931</u>	<u>32,410</u>	<u>7,235</u>	<u>119,106</u>	<u>11,911</u>
Total Other Liabilities	<u>408,769</u>	<u>263,492</u>	<u>206,628</u>	<u>465,633</u>	<u>46,564</u>
Totals	<u>\$ 18,352,201</u>	<u>\$ 263,492</u>	<u>\$ 1,348,292</u>	<u>\$ 17,267,401</u>	<u>\$ 1,228,228</u>

Typically, the City liquidates its compensated absences and claims and judgments with general fund resources.

2010 Certificates of Participation

On January 26, 2010, the City (through the City's blended component unit The Public Improvement Corporation) issued \$17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust that is used to service the future debt requirements of the 2001 and 2003 Certificates of Participation. This refunding resulted in an economic gain as well as savings from refunding. The economic gain realized in this refunding was \$1,072,242 and the savings resulting from the refunding was as follows:

Cash flow requirements to service old debt	\$ 23,858,154
Less: Cash flow requirements for new debt	<u>(22,738,962)</u>
Net savings from refunding	<u>\$ 1,119,192</u>

The 2010 COPs are direct obligations and pledge the full faith and credit of the City of Laguna Hills. The certificates were executed and delivered under the provisions of the Trust Agreement by and among The Bank of New York Mellon Trust Company, N.A, as trustee. The City is required under the Lease Agreement to make rental payments each 15th day of the month immediately preceding each February 1st and August 1st from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the Certificates.

The Serial bonds mature in annual installments ranging from \$345,000 to \$1,670,000, commencing February 1, 2011 ending February 1, 2025. Interest accrues at rates between 2.00% and 5.00% and is payable semiannually. The annual requirements to amortize the certificates of participation as of June 30, 2011, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,130,000	\$ 668,388	\$ 1,798,388
2013	1,180,000	623,188	1,803,188
2014	1,205,000	599,586	1,804,586
2015	1,250,000	551,386	1,801,386
2016	1,300,000	501,386	1,801,386
2017 - 2021	7,290,000	1,675,420	8,965,420
2022 - 2026	<u>2,745,000</u>	<u>218,783</u>	<u>2,963,783</u>
Totals	<u>\$16,100,000</u>	<u>\$ 4,838,137</u>	<u>\$20,938,137</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The long-term portion of this liability, amounting to \$346,527 at June 30, 2011 will be paid from fund balance.

(7) General Liability Insurance & Workers' Compensation Program

In July 2003, the City joined the Exclusive Risk Management Authority of California (ERMAC), a pool of three other cities in California, namely Beaumont, Hayward, and Santa Maria, established under the provisions of California Government Code Section 6502, in order to jointly develop and fund General Liability insurance.

The ERMAC policy covers the City for losses due to personal injury, property damage, wrongful acts because of public officials' errors and omissions and unfair employment practices (see the chart below for City's retained limits and policy liability limits). Legal defense costs may be covered in addition to policy limits.

The City also carries property, business interruption and boiler & machinery insurance with ERMAC (PEPIP Program) to cover all City property. In addition, Difference in Conditions (DIC) or earthquake and flood insurance is provided by Praetorian Insurance Company. This policy covers the Laguna Hills Civic Center.

The following is a list of the allocation of risk coverage for the City as of June 30, 2011, taking in to account the City's self-insurance portion, if any.

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Municipal Broad General Liability	<ul style="list-style-type: none"> • \$100,000 for PI, PD or wrongful acts (public officials E&O) • \$1,000,000 for unfair employment practices 	ERMAC	<ul style="list-style-type: none"> • \$25M per occurrence, excess limit of SIR
Property, Business Interruption and Boiler & Machinery	<ul style="list-style-type: none"> • \$10,000 per occurrence (specific perils may be higher) 	ERMAC (PEPIP program)	<ul style="list-style-type: none"> • \$1B per occurrence combined • \$10M flood limit per occurrence • \$100M combined business interruption • \$100M boiler explosion & machinery breakdown combined
Difference in Conditions (DIC) (Multi-peril)	<ul style="list-style-type: none"> • \$25,000 • 5% earthquake 	Beazley	<ul style="list-style-type: none"> • \$5M per occurrence and annual aggregate • \$18.8M TIV

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Crime	<ul style="list-style-type: none"> • \$2,500 - \$10,000 	Travelers	<ul style="list-style-type: none"> • \$1M employee dishonesty • \$1M forgery alterations • \$1M money & securities theft, inside premises • \$1M money & securities theft, outside premises • \$1M computer fraud • \$1M money order & counterfeit currency • \$500,000 theft of other property, inside premises • \$500,000 theft of other property, outside premises
Recreational Class & Officials Supplemental	<ul style="list-style-type: none"> • None 	Scottsdale	<ul style="list-style-type: none"> • \$1M per occurrence • \$300,000 property damage • \$1M personal injury, products and partial liability • \$5,000 medical expense
Business Auto	<ul style="list-style-type: none"> • \$500 	Praetorian	<ul style="list-style-type: none"> • \$1M combined BI & PD • \$1M uninsured, under-insured motorist • \$5,000 medical payments • If any basis, non-owned or hired auto liability
Excess Workers' Compensation & Employers' Liability	<ul style="list-style-type: none"> • \$125,000 	CSAC Excess Insurance Authority	<ul style="list-style-type: none"> • \$875,000 each accident or employee for disease & employers liability (Layer 1) • \$4 per occurrence in excess of Layer 1 (Layer 2) • \$45M per occurrence in excess of Layer 2 (Layer 3) • Statutory per occurrence in excess of Layer 3 (Layer 4)

Self-Insurance Program for Workers' Compensation Claims

The City carries excess workers' compensation & employers' liability insurance coverage with the CSAC Excess Insurance Authority (CSAC EIA). The excess insurance coverage provides for a pooled retention level layer above the City's \$125,000 SIR up to \$875,000 (total \$1,000,000 Layer 1). The Layer 2 limit is \$4,000,000 for each occurrence above the Layer 1 limit. The Layer 3 limit is \$45,000,000 for each occurrence above the Layer 2 limit. The Layer 4 limit is Statutory for each occurrence above the Layer 3 limit.

The City has entered into contract with CorVel Corporation as third-party administrators who supervise the workers compensation program.

Claims Liability

GASB Statement No. 10 specifies that a liability of outstanding unallocated loss adjustment expenses (ULAE) needs to be established, which are primarily composed of future claims administration for open claims, typically at 5% to 10% of estimated outstanding losses. The total amount designated for the Claims Liability Loss Reserve Fund as of June 30, 2011 is \$130,945.

When it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends and calculation of incurred but not reported claims (IBNR), the City accrues the estimated liability to the extent of the City's self-insured limit in the government-wide statements for expected claims and judgments.

The following is a summary of the changes in the claims liability for the last two fiscal years:

	FY 2010/11	FY 2009/10
Claims payable, beginning	\$ 93,931	\$ 54,758
Payments/changes in estimate	25,175	39,173
Claims payable, ending	\$ <u>119,106</u>	\$ <u>93,931</u>

(8) Pension Plan

Plan Description

The City of Laguna Hills contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office at 400 P. Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The current rate is 11.271% of annual covered payroll. The contribution requirements of plan members and the City are established by contract and may be amended by PERS.

Annual Pension Cost

For 2010-2011, the City's annual pension cost of \$494,325 for PERS was equal to the City's required and actual contributions.

THREE YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$488,396	100%	\$0
6/30/2010	\$476,195	100%	\$0
6/30/2011	\$494,325	100%	\$0

For fiscal years 2003-2011, the City of Laguna Hills participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in the risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan. The side fund, when in the negative, is equivalent to the agency's unfunded liability. The actuarial valuation of the City's adjusted unfunded liability is \$616,192 as of June 30, 2011.

(9) Deferred Compensation

The City offers its employees two kinds of deferred compensation plans.

One plan is created in accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer annually up to 25% of their annual salary to a maximum of \$16,500 for calendar year 2010 and \$16,500 for calendar year 2011. This maximum deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Amounts accumulated by the City under the plan have been invested in several investment options administered by independent third-party administrators at the direction of the employee. The assets of the Plan are held in trust, with the City as trustee, for the exclusive benefit of the Plan participants and their beneficiaries, and the assets cannot be diverted to any other purpose. The Trustee's beneficial ownership of Plan assets held in the ICMA Retirement Trust is held for the further exclusive benefit of the Plan participants and their beneficiaries. The Plan permits loans, administered by the City, in accordance with approved loan guidelines.

The other Plan is created in accordance with Internal Revenue Code Section 401A. This Plan is available to all management staff regardless of years of service, and non-management employees who have reached a minimum of ten years of service with the City. The City is the sole contributor to this Plan, and sets the contribution amount to each class of eligible employees. The contribution limit is in accordance with the prevailing IRS regulation. The assets of this Plan, held for the exclusive benefits of the Plan's participants and their beneficiaries, are administered by the Public Agency Retirement System (PARS), and the trustee is Union Bank of California. Amounts accumulated under this Plan are self-directed by each participant.

(10) Fund Equity

GASB Statement No. 34 adds the concepts of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets

Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less outstanding balance of any debt issued to finance these capital assets.

Restricted describes the portion of Net Assets 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 Assets which is not restricted as to use.

Restricted net assets are net assets that are subject to constraints either by (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or (2) imposed by law through constitutional provisions or enabling legislation. There were no net assets at June 30, 2011 that were restricted by enabling legislation.

Restricted net assets at June 30, 2011 for governmental activities are as follows:

Public Services	\$ 1,679,083
Community Services	59,264
Community Development	103,440
Debt Service	<u>1,811,562</u>
Total Restricted Net Assets-Governmental Activities	<u>\$ 3,653,349</u>

Fund Balances

Fund Balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances are those constrained to specific purposes by a government itself, using its highest level of decision-making authority. The City does not have any committed fund balances at June 30, 2011.

Assigned fund balances include amounts that are constrained by the City’s intent to be used for specific purposes.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Fund balances are presented in the following categories: spendable, restricted, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2011 is as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid Items	\$ 38,952	\$ -	\$ -	\$ 38,952
Advances	266,350			266,350
Total	<u>305,302</u>			<u>305,302</u>
Restricted:				
Debt Service		1,811,562		1,811,562
Measure M Turn Back			365,709	365,709
Prop 1B			476,833	476,833
CARITS			804,331	804,331
Redevelopment Tax Increment			103,440	103,440
Beverage Recycling			45,153	45,153
C & D Forfeited Deposits			10,529	10,529
AB 939 Surcharge Grant			10,558	10,558

Grants & Contributions			25,234	25,234
Total		1,811,562	1,841,787	3,653,349
Assigned:				
Workers Comp	212,500			212,500
Claims Liability	130,945			130,945
Community Center Mtnc	300,000			300,000
Parks Maintenance	184,351			184,351
Sports Complex Mtnc	226,972			226,972
Civic Center Eqpt Mtnc	213,146			213,146
Slopes/Storm Drain Mtnc	50,250			50,250
Total	1,318,164			1,318,164
Unassigned	5,536,817		(273,326)	5,263,491
Total Fund Balances	\$ 7,160,283	\$ 1,811,562	\$ 1,568,461	\$ 10,540,306

(11) Joint Venture

Orange County Fire Authority

In January 1995, the City of Laguna Hills entered into a Joint Powers Agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda and the County of Orange to create the Orange County Fire Authority. Since the creation of the Authority, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita and Westminster have joined the Authority as members eligible for protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract cities" and accordingly make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2011. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Summarized information of the Authority for the fiscal year ended June 30, 2011 is as follows.

Government-Wide

Total Assets	\$ 378,901,717
Total Liabilities	<u>(91,272,346)</u>
Total Net Assets	<u>\$ 287,629,371</u>

Total Revenues	\$ 247,002,109
Total Expenditures	<u>(261,415,891)</u>
Net Change in Net Assets	<u>\$ (14,413,782)</u>

Complete financial statements may be obtained from the Orange County Fire Authority (1 Fire Authority Road, Irvine, CA 92602).

(12) Related Party Transactions

The City's enterprise fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,946. The City is a tenant using approximately 20,843 square feet of the building. The enterprise fund does not charge the City rent. The estimated annual rent for the space would be approximately \$598,000.

CITY OF LAGUNA HILLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and used as a management control device. The City Council approves the two-year budget submitted by the City Manager prior to the beginning of the new two-year budget cycle. The Council conducts public hearings prior to its adoption. All remaining appropriations in the Operating Budget will be carried over from the first year to the second year of the two-year budget period. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to transfer budgeted amounts between funds and divisions as deemed necessary to meet the City's needs within the overall legal limit established by the City Council. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control is total expenditures by fund. Formal budgetary integration is employed as a management control device during the fiscal year for the governmental type funds.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the following General Fund department:

	Appropriations	Expenditures	Variance Positive (Negative)
General Fund:			
Administrative services	\$1,560,092	\$1,575,903	\$ (15,811)
Public services	\$4,034,907	\$4,143,321	\$ (108,414)

CITY OF LAGUNA HILLS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 11,534,177	\$ 11,534,177	\$ 10,353,376	\$ (1,180,801)
Licenses and permits	481,518	481,518	524,068	42,550
Intergovernmental revenues	6,498,750	6,498,750	5,483,221	(1,015,529)
Charges for current services	1,024,872	1,024,872	1,047,727	22,855
Fines and forfeitures	475,000	475,000	401,665	(73,335)
Investment income	84,000	84,000	16,514	(67,486)
Total Revenues	20,098,317	20,098,317	17,826,571	(2,271,746)
Expenditures:				
Legislative/executive	1,621,720	1,631,720	1,528,226	103,494
Administrative services	1,560,092	1,560,092	1,575,903	(15,811)
Public services	4,034,907	4,034,907	4,143,321	(108,414)
Community development	1,246,135	1,246,135	1,104,217	141,918
Community services	1,754,629	1,754,629	1,632,677	121,952
Public safety	6,939,462	6,939,462	6,375,440	564,022
Total Expenditures	17,156,945	17,166,945	16,359,784	807,161
Excess (Deficiency) of Revenues over Expenditures	2,941,372	2,931,372	1,466,787	(1,464,585)
Other Financing Sources (Uses):				
Lawsuit settlement			(105,365)	(105,365)
Transfers in	8,821,027	13,705,790	5,603,674	(8,102,116)
Transfers out	(11,188,000)	(16,398,198)	(7,227,037)	9,171,161
Total Other Financing Sources (Uses)	(2,366,973)	(2,692,408)	(1,728,728)	963,680
Net Change in Fund Balance	574,399	238,964	(261,941)	(500,905)
Fund Balance, Beginning	7,422,224	7,422,224	7,422,224	
Fund Balance, Ending	\$ 7,996,623	\$ 7,661,188	\$ 7,160,283	\$ (500,905)

See Notes to Required Supplementary Information

NON-MAJOR FUNDS

Gas Tax Fund - Used to account for revenues and expenditures for general street improvement maintenance related to the City's share of state gasoline taxes collected under Street and Highway Code, Sections 2105, 2106, 207 and 2107.5.

Measure M- Turn Back & Discretionary Fund - Used to account for revenues and expenditures made for street improvement and transportation system maintenance financed through the Orange County Transportation Authority.

AB 2766 Fund - Used to account for revenues and expenditures made for air quality improvement. AB 2766 was enacted to authorize air pollution control districts to impose fees on motor vehicles.

Proposition 42 Fund - Used to account for revenues and expenditures related to the State's portion of sales tax on gasoline, used for the purpose of transportation related projects, specifically, local street repairs and improvements.

Proposition 1B Fund - Used to account for revenues and expenditures related to Proposition 1B, a voter-approved transportation bond for transportation related projects that relieve traffic congestion and improve air quality.

Senior Mobility Program - Used to account for revenues and expenditures related to the OCTA Senior Mobility Program. Participating cities are eligible to receive funds from OCTA to help design and operate a transit program that best fits the needs of older adults in their communities.

FCPP - Used to account for revenues and expenditures related to the County of Orange Foothill Circulation Phasing Plan, used for the purpose of regional transportation improvements in southeastern Orange County.

CARITS Fund - Used to account for revenues and expenditures related to the cooperative agreement with the County of Orange for Coastal Area Road Improvement and Traffic Signals (CARITS) fee program.

Community Development Block Grant Fund - Used to account for revenues and expenditures to improve local and national objectives to provide decent and safe housing for low- and moderate-income families. This is grant funding obtained from the United States Department of Housing and Urban Development (HUD) for the purposes of rehabilitating "eligible" deteriorating housing in the City.

Redevelopment Tax Increment Fund - Used to account for revenues and expenditures related to the 20% set-aside redevelopment tax increment funds generated from properties within the Laguna Hills portion of the El Toro Redevelopment Project Area.

Beverage Recycling Fund - Used to account for revenues and expenditures related to grant funding received from the California State Department of Conservation for the purpose of implementing and supporting beverage container recycling programs within the City.

CR&R Recycling Fund - Used to account for contractual revenues received from the City's franchised hauler, CR&R, for the purposes of recycling consulting services and general recycling activity expenditures.

C & D Forfeited Deposits Fund - Used to account for Construction and Demolition Waste Recycling Program security deposits, which have been forfeited by the applicant, used for administration costs of the program, or on programs to divert the waste from construction, demolition and alteration projects from landfill disposal, or other recycling programs.

AB 939 Surcharge Grant Fund - Used to account for revenues and expenditures related to the County of Orange Regional Recycling and Waste Diversion Grant Program for the purpose of implementing and supporting regional recycling and waste diversion within the City.

Housing Set Aside - Used to account for property tax increment specifically levied for low and moderate income housing. State law requires that at least 20% of tax increment monies received be dedicated for the sole purpose of the development and preservation of affordable housing in the community.

Grants & Contribution Fund - Used to account revenues and expenditures made for specific projects including landscape improvements and certain capital expenditures. Land developers and builders, as well as other public agencies provide financing.

Public Art Fund - Used to account for revenues and expenditures related to the City's Public Art program designed to enhance the cultural and aesthetic environment and to encourage creativity, education and appreciation of the arts.

Public Safety Fund - Used to account for revenues received and expenditures made for front line police services. Financing is provided by federal and state funds.

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2011

	Special Revenue							
	Gas Tax	Measure M Turn Back & Discretionary	AB 2766	Prop 42	Prop 1B	Senior Mobility Program	FCPP	
Assets								
Due from other funds	\$ -	\$ 365,709	\$ -	\$ -	\$ 476,833	\$ 21,836	\$ -	\$ 804,331
Due from other governments								
Total Assets	<u>\$ -</u>	<u>\$ 365,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,833</u>	<u>\$ 21,836</u>	<u>\$ -</u>	<u>\$ 804,331</u>
Liabilities and Fund Balances								
Liabilities:								
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments						21,836		
Deferred revenue								
Advances from other funds								
Total Liabilities						<u>21,836</u>		
Fund Balances:								
Restricted		365,709			476,833			804,331
Assigned								
Unassigned								
Total Fund Balance		<u>365,709</u>			<u>476,833</u>			<u>804,331</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 365,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,833</u>	<u>\$ 21,836</u>	<u>\$ -</u>	<u>\$ 804,331</u>

CDBG	Redevelopment Tax Increment	Beverage Recycling	CR&R Recycling Fee	C & D Forfeited Deposits	AB 939 Surcharge Grant	Housing Set Aside	Grants and Contributions	Public Art	Public Safety	Total Nonmajor Governmental Funds
\$ -	\$ 103,440	\$ 45,153	\$ -	\$ 10,529	\$ 10,558	\$ 18,740	\$ 25,234	\$ -	\$ -	\$ 1,863,623
										18,740
<u>\$ -</u>	<u>\$ 103,440</u>	<u>\$ 45,153</u>	<u>\$ -</u>	<u>\$ 10,529</u>	<u>\$ 10,558</u>	<u>\$ 18,740</u>	<u>\$ 25,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,882,363</u>
\$ -	\$ -	\$ -	\$ 6,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,976
						18,740				21,836
								266,350		18,740
			6,976							266,350
	103,440	45,153		10,529	10,558		25,234			1,841,787
			(6,976)					(266,350)		(273,326)
	103,440	45,153	(6,976)	10,529	10,558		25,234	(266,350)		1,568,461
<u>\$ -</u>	<u>\$ 103,440</u>	<u>\$ 45,153</u>	<u>\$ -</u>	<u>\$ 10,529</u>	<u>\$ 10,558</u>	<u>\$ 18,740</u>	<u>\$ 25,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,882,363</u>

CITY OF LAGUNA HILLS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue							
	Gas Tax	Measure M Turn Back & Discretionary	AB 2766	Prop 42	Prop 1B	Senior Mobility Program	FCPP	CARITS
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits								
Intergovernmental	844,366	1,828,462	36,831	78,003		12,390	1,275,000	
Investment income	1,054	1,792	31	1,160	2,030		1,883	2,967
Total Revenues	845,420	1,830,254	36,862	79,163	2,030	12,390	1,276,883	2,967
Expenditures:								
Current:								
Administrative services								
Public services								
Community development								
Community services						13,711		
Public safety								
Capital outlay						1,776		
Total Expenditures						15,487		
Excess (Deficiency) of Revenues over Expenditures	845,420	1,830,254	36,862	79,163	2,030	(3,097)	1,276,883	2,967
Other Financing Sources (Uses):								
Transfers in						3,097		
Transfers out	(1,409,197)	(1,464,545)	(92,011)	(453,986)	(157,215)		(1,276,883)	(54,055)
Total Other Financing Sources (Uses)	(1,409,197)	(1,464,545)	(92,011)	(453,986)	(157,215)	3,097	(1,276,883)	(54,055)
Net Change in Fund Balances	(563,777)	365,709	(55,149)	(374,823)	(155,185)			(51,088)
Fund Balances (Deficit), Beginning	563,777		55,149	374,823	632,018			855,419
Fund Balances (Deficit), Ending	\$ -	\$ 365,709	\$ -	\$ -	\$ 476,833	\$ -	\$ -	\$ 804,331

										Total
										Nonmajor
										Governmental
										Funds
Redevelopment	CR&R	C & D	AB 939							
Tax	Beverage	Recycling	Forfeited	Surcharge	Housing	Grants &	Public	Public		
CDBG	Increment	Recycling	Fee	Deposits	Set Aside	Contribution	Art	Safety		
\$ -	\$ 76,720	\$ -	\$ 20,000	\$ -	\$ -	\$ 63,585	\$ -	\$ -	\$ -	\$ 160,305
				26,087						26,087
251,221		9,071				104,704		100,016		4,540,064
	245	138	5	25	43	265				11,638
<u>251,221</u>	<u>76,965</u>	<u>9,209</u>	<u>20,005</u>	<u>26,112</u>	<u>43</u>	<u>63,585</u>	<u>104,969</u>	<u>100,016</u>		<u>4,738,094</u>
				15,583						15,583
251,221	49,186	3,136	26,054		2,996	15,335				47,521
								100,016		300,407
										13,711
										100,016
							38,612			40,388
<u>251,221</u>	<u>49,186</u>	<u>3,136</u>	<u>26,054</u>	<u>15,583</u>	<u>2,996</u>	<u>53,947</u>	<u>100,016</u>			<u>517,626</u>
	27,779	6,073	(6,049)	10,529	(2,953)	63,585	51,022			4,220,468
	63,585									66,682
						(63,585)	(144,704)	(13,700)		(5,129,881)
	63,585					(63,585)	(144,704)	(13,700)		(5,063,199)
	91,364	6,073	(6,049)	10,529	(2,953)		(93,682)	(13,700)		(842,731)
	12,076	39,080	(927)		13,511		118,916	(252,650)		2,411,192
<u>\$ -</u>	<u>\$ 103,440</u>	<u>\$ 45,153</u>	<u>\$ (6,976)</u>	<u>\$ 10,529</u>	<u>\$ 10,558</u>	<u>\$ -</u>	<u>\$ 25,234</u>	<u>\$ (266,350)</u>	<u>\$ -</u>	<u>\$ 1,568,461</u>

CITY OF LAGUNA HILLS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Expenditures:				
Capital Outlay	8,896,000	13,609,559	4,972,864	8,636,695
Total Expenditures	<u>8,896,000</u>	<u>13,609,559</u>	<u>4,972,864</u>	<u>8,636,695</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,896,000)</u>	<u>(13,609,559)</u>	<u>(4,972,864)</u>	<u>8,636,695</u>
Other Financing Sources (Uses):				
Transfers in	8,896,000	13,609,559	4,972,864	(8,636,695)
Total Other Financing Sources (Uses)	<u>8,896,000</u>	<u>13,609,559</u>	<u>4,972,864</u>	<u>(8,636,695)</u>
Net change in Fund Balances				
Fund Balance, Beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-
				Positive(Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 8,754	\$ 8,754
Total Revenues			8,754	8,754
Expenditures:				
Debt Service:				
Interest	802,000	802,000	712,976	89,024
Principal	1,090,000	1,090,000	1,090,000	
Total Expenditures	1,892,000	1,892,000	1,802,976	89,024
Excess (Deficiency) of Revenues over Expenditures	(1,892,000)	(1,892,000)	(1,794,222)	97,778
Other Financing Sources (Uses):				
Transfers in	1,892,000	1,892,000	1,788,698	(103,302)
Total Other Financing Sources (Uses)	1,892,000	1,892,000	1,788,698	(103,302)
Net Change in Fund Balances			(5,524)	(5,524)
Fund Balance, Beginning	1,817,086	1,817,086	1,817,086	
Fund Balance, Ending	\$ 1,817,086	\$ 1,817,086	\$ 1,811,562	\$ (5,524)

CITY OF LAGUNA HILLS
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 630,360	\$ 630,360	\$ 844,366	\$ 214,006
Investment income	<u>5,600</u>	<u>5,600</u>	<u>1,054</u>	<u>(4,546)</u>
Total Revenues	<u>635,960</u>	<u>635,960</u>	<u>845,420</u>	<u>209,460</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,199,737)</u>	<u>(1,199,737)</u>	<u>(1,409,197)</u>	<u>(209,460)</u>
Total Other Financing Sources (Uses)	<u>(1,199,737)</u>	<u>(1,199,737)</u>	<u>(1,409,197)</u>	<u>(209,460)</u>
Net Change in Fund Balance	(563,777)	(563,777)	(563,777)	
Fund Balance, Beginning	<u>563,777</u>	<u>563,777</u>	<u>563,777</u>	
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
MEASURE M - TURN BACK AND DISCRETIONARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 3,179,686	\$ 3,307,067	\$ 1,828,462	\$ (1,478,605)
Investment income	8,400	8,400	1,792	(6,608)
Total Revenues	<u>3,188,086</u>	<u>3,315,467</u>	<u>1,830,254</u>	<u>(1,485,213)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(3,188,086)</u>	<u>(3,315,467)</u>	<u>(1,464,545)</u>	<u>1,850,922</u>
Total Other Financing Sources (Uses)	<u>(3,188,086)</u>	<u>(3,315,467)</u>	<u>(1,464,545)</u>	<u>1,850,922</u>
Net Change in Fund Balance			365,709	365,709
Fund Balance, Beginning				
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,709</u>	<u>\$ 365,709</u>

CITY OF LAGUNA HILLS
AB2766 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 38,000	\$ 38,000	\$ 36,831	\$ (1,169)
Investment income	560	560	31	(529)
Total Revenues	<u>38,560</u>	<u>38,560</u>	<u>36,862</u>	<u>(1,698)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(93,709)</u>	<u>(93,709)</u>	<u>(92,011)</u>	<u>1,698</u>
Total Other Financing Sources (Uses)	<u>(93,709)</u>	<u>(93,709)</u>	<u>(92,011)</u>	<u>1,698</u>
Net Change in Fund Balance	(55,149)	(55,149)	(55,149)	
Fund Balance, Beginning	<u>55,149</u>	<u>55,149</u>	<u>55,149</u>	
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
PROPOSITION 42 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 346,392	\$ 451,392	\$ 78,003	\$ (373,389)
Investment income	<u>5,600</u>	<u>5,600</u>	<u>1,160</u>	<u>(4,440)</u>
Total Revenues	<u>351,992</u>	<u>456,992</u>	<u>79,163</u>	<u>(377,829)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(726,815)</u>	<u>(831,815)</u>	<u>(453,986)</u>	<u>377,829</u>
Total Other Financing Sources (Uses)	<u>(726,815)</u>	<u>(831,815)</u>	<u>(453,986)</u>	<u>377,829</u>
Net Change in Fund Balance	(374,823)	(374,823)	(374,823)	
Fund Balance, Beginning	<u>374,823</u>	<u>374,823</u>	<u>374,823</u>	
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
PROPOSITION 1B SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Investment income	\$ 8,400	\$ 8,400	\$ 2,030	\$ (6,370)
Total Revenues	<u>8,400</u>	<u>8,400</u>	<u>2,030</u>	<u>(6,370)</u>
Other Financing Sources (Uses):				
Transfers out	(640,418)	(640,418)	(157,215)	483,203
Total Other Financing Sources (Uses)	<u>(640,418)</u>	<u>(640,418)</u>	<u>(157,215)</u>	<u>483,203</u>
Net Change in Fund Balance	(632,018)	(632,018)	(155,185)	476,833
Fund Balance, Beginning	<u>632,018</u>	<u>632,018</u>	<u>632,018</u>	
Fund Balance, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 476,833</u></u>	<u><u>\$ 476,833</u></u>

CITY OF LAGUNA HILLS
F CPP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 1,275,000	\$ 1,275,000	\$ 1,275,000	\$
Investment income	<u>8,400</u>	<u>8,400</u>	<u>1,883</u>	<u>(6,517)</u>
Total Revenues	<u>1,283,400</u>	<u>1,283,400</u>	<u>1,276,883</u>	<u>(6,517)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,283,400)</u>	<u>(1,283,400)</u>	<u>(1,276,883)</u>	<u>6,517</u>
Total Other Financing Sources (Uses)	<u>(1,283,400)</u>	<u>(1,283,400)</u>	<u>(1,276,883)</u>	<u>6,517</u>
Net Change in Fund Balance				
Fund Balance, Beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
CARITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues:				
Investment income	\$ 14,000	\$ 14,000	\$ 2,967	\$ (11,033)
Total Revenues	<u>14,000</u>	<u>14,000</u>	<u>2,967</u>	<u>(11,033)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>(54,055)</u>	<u>55,945</u>
Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(54,055)</u>	<u>55,945</u>
Net Change in Fund Balance	(96,000)	(96,000)	(51,088)	44,912
Fund Balance, Beginning	<u>855,419</u>	<u>855,419</u>	<u>855,419</u>	
Fund Balance, Ending	<u>\$ 759,419</u>	<u>\$ 759,419</u>	<u>\$ 804,331</u>	<u>\$ 44,912</u>

CITY OF LAGUNA HILLS
CDBG SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 373,725	\$ 373,725	\$ 251,221	\$ 122,504
Total Revenues	<u>373,725</u>	<u>373,725</u>	<u>251,221</u>	<u>122,504</u>
Expenditures:				
Current:				
Community development	<u>373,725</u>	<u>373,725</u>	<u>251,221</u>	<u>122,504</u>
Net Change in Fund Balance				
Fund Balance, Beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF LAGUNA HILLS
REDEVELOPMENT TAX INCREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 33,660	\$ 33,660	\$ 76,720	\$ 43,060
Investment income	1,680	1,680	245	(1,435)
Total Revenues	35,340	35,340	76,965	41,625
Expenditures:				
Current:				
Community development			49,186	(49,186)
Excess of Revenues over Expenditures	35,340	35,340	27,779	(7,561)
Other Financing Sources (Uses):				
Transfers in			63,585	(63,585)
Total Other Financing Sources (Uses)			63,585	(63,585)
Net Change in Fund Balance	35,340	35,340	91,364	56,024
Fund Balance, Beginning	12,076	12,076	12,076	
Fund Balance, Ending	\$ 47,416	\$ 47,416	\$ 103,440	\$ 56,024

CITY OF LAGUNA HILLS
BEVERAGE RECYCLING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 8,000	\$ 8,000	\$ 9,071	\$ 1,071
Investment income	560	560	138	(422)
Total Revenues	<u>8,560</u>	<u>8,560</u>	<u>9,209</u>	<u>649</u>
Expenditures:				
Current:				
Public Services	<u>8,000</u>	<u>8,000</u>	<u>3,136</u>	<u>4,864</u>
Net Change in Fund Balance	560	560	6,073	5,513
Fund Balance, Beginning	<u>39,080</u>	<u>39,080</u>	<u>39,080</u>	
Fund Balance, Ending	<u><u>\$ 39,640</u></u>	<u><u>\$ 39,640</u></u>	<u><u>\$ 45,153</u></u>	<u><u>\$ 5,513</u></u>

CITY OF LAGUNA HILLS
CR&R RECYCLING FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Investment income	<u>560</u>	<u>560</u>	<u>5</u>	<u>(555)</u>
Total Revenues	<u>20,560</u>	<u>20,560</u>	<u>20,005</u>	<u>(555)</u>
Expenditures:				
Current:				
Public Services	<u>20,000</u>	<u>20,000</u>	<u>26,054</u>	<u>(6,054)</u>
Net Change in Fund Balance	560	560	(6,049)	(6,609)
Fund Balance (Deficit), Beginning	<u>(927)</u>	<u>(927)</u>	<u>(927)</u>	
Fund Balance (Deficit), Ending	<u><u>\$ (367)</u></u>	<u><u>\$ (367)</u></u>	<u><u>\$ (6,976)</u></u>	<u><u>\$ (6,609)</u></u>

CITY OF LAGUNA HILLS
C & D FORFEITED DEPOSITS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 26,087	\$ 26,087
Investment income	560	560	25	(535)
Total Revenues	560	560	26,112	25,552
Expenditures:				
Current:				
Public Services			15,583	(15,583)
Net Change in Fund Balance	560	560	10,529	9,969
Fund Balance, Beginning				
Fund Balance, Ending	\$ 560	\$ 560	\$ 10,529	\$ 9,969

CITY OF LAGUNA HILLS
AB 939 SURCHARGE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Investment income	\$ 560	\$ 560	\$ 43	\$ (517)
Total Revenues	<u>560</u>	<u>560</u>	<u>43</u>	<u>(517)</u>
Expenditures:				
Current:				
Public Services			2,996	(2,996)
Net Change in Fund Balance	560	560	(2,953)	(3,513)
Fund Balance, Beginning	<u>13,511</u>	<u>13,511</u>	<u>13,511</u>	
Fund Balance, Ending	<u>\$ 14,071</u>	<u>\$ 14,071</u>	<u>\$ 10,558</u>	<u>\$ (3,513)</u>

CITY OF LAGUNA HILLS
GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,700,000	\$ 5,315,000	\$ 104,704	\$ (5,210,296)
Investment income	<u>1,120</u>	<u>1,120</u>	<u>265</u>	<u>(855)</u>
Total Revenues	<u>1,701,120</u>	<u>5,316,120</u>	<u>104,969</u>	<u>(5,211,151)</u>
Expenditures:				
Current:				
Public Services			15,335	(15,335)
Capital Outlay			<u>38,612</u>	<u>(38,612)</u>
Total Expenditures			<u>53,947</u>	<u>(53,947)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,741,120)</u>	<u>(5,356,120)</u>	<u>(144,704)</u>	<u>5,211,416</u>
Total Other Financing Sources (Uses)	<u>(1,741,120)</u>	<u>(5,356,120)</u>	<u>(144,704)</u>	<u>5,211,416</u>
Net Change in Fund Balance	(40,000)	(40,000)	(93,682)	(53,682)
Fund Balance, Beginning	<u>118,916</u>	<u>118,916</u>	<u>118,916</u>	
Fund Balance, Ending	<u>\$ 78,916</u>	<u>\$ 78,916</u>	<u>\$ 25,234</u>	<u>\$ (53,682)</u>

CITY OF LAGUNA HILLS
PUBLIC ART FUND SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Revenues:				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other Financing Sources (Uses):				
Transfers out	<u> </u>	<u> </u>	(13,700)	(13,700)
Total Other Financing Sources (Uses)	<u> </u>	<u> </u>	(13,700)	(13,700)
Net Change in Fund Balance			(13,700)	(13,700)
Fund Balance (deficit), Beginning	<u>(252,650)</u>	<u>(252,650)</u>	<u>(252,650)</u>	<u> </u>
Fund Balance (deficit), Ending	<u>\$ (252,650)</u>	<u>\$ (252,650)</u>	<u>\$ (266,350)</u>	<u>\$ (13,700)</u>

CITY OF LAGUNA HILLS
PUBLIC SAFETY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive(Negative)</u>
Revenues:				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 100,016	\$ (24,984)
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>100,016</u>	<u>(24,984)</u>
Expenditures:				
Current:				
Public safety	<u>125,000</u>	<u>125,000</u>	<u>100,016</u>	<u>24,984</u>
Total Expenditures	<u>125,000</u>	<u>125,000</u>	<u>100,016</u>	<u>24,984</u>
Net Change in Fund Balance				
Fund Balance, Beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAGUNA HILLS
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Assets				
Cash and investments	\$ 268,824	\$ -	\$ 16,185	\$ 285,009
Total assets	<u>\$ 268,824</u>	<u>\$ -</u>	<u>\$ 16,185</u>	<u>\$ 285,009</u>
Liabilities				
Deposits	\$ 268,824	\$ -	\$ 16,185	\$ 285,009
Total liabilities	<u>\$ 268,824</u>	<u>\$ -</u>	<u>\$ 16,185</u>	<u>\$ 285,009</u>



STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Laguna Hills' comprehensive annual financial report 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 of Laguna Hills' overall financial health.

Contents	Page
Financial Trends	III-3
<i>Financial trend schedules contain trend information to help the reader understand how the City of Laguna Hills' financial performance and well-being have changed over time.</i>	
Revenue Capacity	III-10
<i>Revenue capacity schedules contain information to help the reader assess the City of Laguna Hills' most significant local revenue source, the property tax.</i>	
Debt Capacity	III-14
<i>Debt capacity schedules present information to help the reader assess the affordability of the City of Laguna Hills' current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	III-19
<i>Demographic and economic information schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Laguna Hills' financial activities take place.</i>	
Operating Information	III-21
<i>Operating information schedules contain service and infrastructure data to help the reader understand how the information in the City of Laguna Hills' financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF LAGUNA HILLS

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004 ^(a)	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$ 18,321,732	\$ 17,736,446	\$ 42,960,776	\$ 44,165,410	\$ 46,474,237	\$ 50,728,980	\$ 52,338,159	\$ 56,606,677	\$ 76,364,755	\$ 78,797,985
Restricted	1,020,083	2,043,428	2,531,175	3,246,346	3,839,611	3,023,222	4,701,017	3,356,723	3,935,701	3,653,349
Unrestricted	10,879,032	10,633,566	10,050,219	9,308,718	9,377,131	10,606,335	10,230,570	7,858,499	7,501,713	6,504,972
Total government activities net assets	\$ 30,220,847	\$ 30,413,440	\$ 55,542,170	\$ 56,720,474	\$ 59,690,979	\$ 64,358,537	\$ 67,269,746	\$ 67,821,899	\$ 87,802,169	\$ 88,956,306
Business-type activities										
Invested in capital assets, net of related debt	\$ 6,133,119	\$ 6,023,608	\$ 12,744,792	\$ 14,413,461	\$ 14,163,874	\$ 13,796,813	\$ 13,292,252	\$ 12,720,481	\$ 12,206,656	\$ 11,542,563
Restricted										
Unrestricted	113,063	207,205	298,992	169,956	540,017	359,254	195,703	134,998	150,668	85,344
Total business-type activities net assets	\$ 6,246,182	\$ 6,230,813	\$ 13,043,784	\$ 14,583,417	\$ 14,703,891	\$ 14,156,067	\$ 13,487,955	\$ 12,855,479	\$ 12,357,324	\$ 11,627,907
Primary government										
Invested in capital assets, net of related debt	\$ 24,454,851	\$ 23,760,054	\$ 55,705,568	\$ 58,578,871	\$ 60,638,111	\$ 64,525,793	\$ 65,630,411	\$ 69,327,158	\$ 88,571,411	\$ 90,340,548
Restricted	1,020,083	2,043,428	2,531,175	3,246,346	3,839,611	3,023,222	4,701,017	3,356,723	3,935,701	3,653,349
Unrestricted	10,992,095	10,840,771	10,349,211	9,478,674	9,917,148	10,965,589	10,426,273	7,993,497	7,652,381	6,590,316
Total primary government net assets	\$ 36,467,029	\$ 36,644,253	\$ 68,585,954	\$ 71,303,891	\$ 74,394,870	\$ 78,514,604	\$ 80,757,701	\$ 80,677,378	\$ 100,159,493	\$ 100,584,213

^(a) As of June 30, 2004, the City completed its inventory of infrastructure assets, which include streets and sidewalks, curbs, gutters, playground equipment and similar assets, which are considered public property. Thus, in accordance with the requirement of GASB, the value of these infrastructure assets were included in the June 30, 2004 report.

^(b) Data presented is from fiscal year ended June 30, 2002, when GASB 34 was implemented.

CITY OF LAGUNA HILLS

CHANGE IN NET ASSETS

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
Legislative/executive	\$ 1,597,963	\$ 1,669,415	\$ 1,246,684	\$ 1,299,424	\$ 1,389,720	\$ 1,441,763	\$ 1,534,942	\$ 1,542,082	\$ 1,592,070	\$ 1,537,287
Administrative services	1,329,893	2,457,364	1,795,147	2,593,403	2,357,409	1,928,022	1,785,896	1,719,314	1,724,356	1,771,910
Public services	12,258,663	7,174,054	6,970,973	6,650,188	7,360,168	9,507,357	6,814,629	8,318,347	7,389,564	5,781,123
Community development	625,240	733,724	785,278	1,060,418	1,247,350	1,541,295	1,775,552	1,523,476	1,595,670	1,404,624
Community services	858,783	1,751,118	1,892,812	3,225,589	1,554,514	1,651,779	1,771,671	1,776,257	1,769,589	3,702,911
Public safety	4,262,592	4,999,520	5,109,994	5,288,663	5,598,571	5,893,769	6,503,096	6,422,802	6,597,894	6,487,711
Interest expense	1,312,113	1,086,092	1,044,572	1,002,505	973,024	942,801	910,500	875,447	636,441	663,944
Total governmental activities expenses	<u>22,245,247</u>	<u>19,871,287</u>	<u>18,845,460</u>	<u>21,120,190</u>	<u>20,480,756</u>	<u>22,906,786</u>	<u>21,096,286</u>	<u>22,177,725</u>	<u>21,305,584</u>	<u>21,349,510</u>
Business-type activities:										
Property leasing	213,871	618,621	427,492	1,035,344	1,087,912	1,139,550	1,162,891	1,117,002	1,125,330	1,190,752
Total business-type activities expenses	<u>213,871</u>	<u>618,621</u>	<u>427,492</u>	<u>1,035,344</u>	<u>1,087,912</u>	<u>1,139,550</u>	<u>1,162,891</u>	<u>1,117,002</u>	<u>1,125,330</u>	<u>1,190,752</u>
Total primary government expenses	<u>\$ 22,459,118</u>	<u>\$ 20,489,908</u>	<u>\$ 19,272,952</u>	<u>\$ 22,155,534</u>	<u>\$ 21,568,668</u>	<u>\$ 24,046,336</u>	<u>\$ 22,259,177</u>	<u>\$ 23,294,727</u>	<u>\$ 22,430,914</u>	<u>\$ 22,540,262</u>
Program Revenues										
Government activities:										
Charges for Services:										
Legislative/executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,236
Administrative services										96,726
Public services		82,679	56,665	48,696	38,683	59,584	58,539	98,818	86,176	155,373
Community development	484,875	664,189	924,056	552,029	535,973	672,168	616,819	544,227	514,162	653,918
Community services	229,080	390,960	468,773	511,766	540,369	562,584	683,911	687,987	703,099	701,040
Public safety	307,458	379,792	381,119	405,000	533,977	475,214	485,376	435,452	542,732	401,665
Operating Contributions	2,013,036	3,369,544	2,795,098	2,583,927	4,774,223	6,826,309	3,486,884	4,217,578	3,059,335	4,738,096
Capital Contributions	345,064	11,320	55,545	19,665	40,771	57,282	24,674			
Total governmental activities program revenues	<u>3,379,513</u>	<u>4,898,484</u>	<u>4,681,256</u>	<u>4,121,083</u>	<u>6,463,996</u>	<u>8,653,141</u>	<u>5,356,203</u>	<u>5,984,062</u>	<u>4,905,504</u>	<u>6,749,054</u>
Business-type activities:										
Charges for Services:										
Property Leasing	345,339	473,102	455,298	406,721	588,842	688,215	790,817	591,665	649,270	535,455
Operating grants and contributions										
Capital grants and contributions				2,134,938						
Total business-type activities program revenues	<u>345,339</u>	<u>473,102</u>	<u>455,298</u>	<u>2,541,659</u>	<u>588,842</u>	<u>688,215</u>	<u>790,817</u>	<u>591,665</u>	<u>649,270</u>	<u>535,455</u>
Total primary government program revenues	<u>\$ 3,724,852</u>	<u>\$ 5,371,586</u>	<u>\$ 5,136,554</u>	<u>\$ 6,662,742</u>	<u>\$ 7,052,838</u>	<u>\$ 9,341,356</u>	<u>\$ 6,147,020</u>	<u>\$ 6,575,727</u>	<u>\$ 5,554,774</u>	<u>\$ 7,284,509</u>

(Continued)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
(Continued)										
Net (expense)/revenue										
Governmental activities	\$ (18,865,734)	\$ (14,972,803)	\$ (14,164,204)	\$ (16,999,107)	\$ (14,016,760)	\$ (14,253,645)	\$ (15,740,083)	\$ (16,193,663)	\$ (16,400,080)	\$ (14,600,456)
Business- type activities	131,468	(145,519)	27,806	1,506,315	(499,070)	(451,335)	(372,074)	(525,337)	(476,060)	(655,297)
	<u>\$ (18,734,266)</u>	<u>\$ (15,118,322)</u>	<u>\$ (14,136,398)</u>	<u>\$ (15,492,792)</u>	<u>\$ (14,515,830)</u>	<u>\$ (14,704,980)</u>	<u>\$ (16,112,157)</u>	<u>\$ (16,719,000)</u>	<u>\$ (16,876,140)</u>	<u>\$ (15,255,753)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 4,323,019	\$ 4,532,842	\$ 4,836,439	\$ 4,892,577	\$ 5,219,940	\$ 6,000,932	\$ 6,310,302	\$ 8,624,076	\$ 8,573,008	\$ 8,186,735
Sales and use taxes	6,400,705	6,799,566	6,746,046	7,964,948	6,868,829	6,811,004	6,368,887	5,522,204	5,197,367	5,238,949
Motor vehicle in lieu taxes	2,094,888	1,951,508	1,546,339	2,724,783	2,591,236	2,575,919	2,690,646	114,895	99,167	154,787
Other State subvention	50,988	24,944	1,108	1,919	95,072	25,026				
Franchise taxes	853,807	851,198	888,821	920,778	1,006,109	1,218,116	1,202,702	1,237,335	1,217,595	1,199,882
Transient occupancy taxes	840,759	830,935	967,378	980,585	1,156,409	1,227,989	1,219,609	915,807	752,478	869,505
Investment earnings	363,099	201,246	120,274	134,912	210,046	325,266	469,876	119,006	29,205	25,267
Miscellaneous revenue	10,732	147,002	56,056	111,761	404,382	620,465	44,312	62,493	21,389	4,468
Lawsuit settlement	1,419,367		1,349,451							
Transfers		(130,000)		(30,000)	(599,379)	100,000	300,000	150,000	24,790	75,000
Total governmental activities	<u>16,357,364</u>	<u>15,209,241</u>	<u>16,511,912</u>	<u>17,702,263</u>	<u>16,952,644</u>	<u>18,904,717</u>	<u>18,606,334</u>	<u>16,745,816</u>	<u>15,914,999</u>	<u>15,754,593</u>
Business-type activities:										
Investment earnings	26	150	2,016	3,318	30	3,511	3,962	2,877	2,695	880
Transfers		130,000		30,000	599,379	(100,000)	(300,000)	(150,000)	(24,790)	(75,000)
Total business-type activities	<u>26</u>	<u>130,150</u>	<u>2,016</u>	<u>33,318</u>	<u>599,409</u>	<u>(96,489)</u>	<u>(296,038)</u>	<u>(147,123)</u>	<u>(22,095)</u>	<u>(74,120)</u>
Total primary government	<u>\$ 16,357,390</u>	<u>\$ 15,339,391</u>	<u>\$ 16,513,928</u>	<u>\$ 17,735,581</u>	<u>\$ 17,552,053</u>	<u>\$ 18,808,228</u>	<u>\$ 18,310,296</u>	<u>\$ 16,598,693</u>	<u>\$ 15,892,904</u>	<u>\$ 15,680,473</u>
Change in Net Assets										
Governmental activities	(2,508,370)	236,438	2,347,708	703,156	2,935,884	4,651,072	2,866,251	552,153	(485,081)	1,154,137
Business-type activities	131,494	(15,369)	29,822	1,539,633	100,339	(547,824)	(668,112)	(672,460)	(498,155)	(729,417)
Total primary government	<u>\$ (2,376,876)</u>	<u>\$ 221,069</u>	<u>\$ 2,377,530</u>	<u>\$ 2,242,789</u>	<u>\$ 3,036,223</u>	<u>\$ 4,103,248</u>	<u>\$ 2,198,139</u>	<u>\$ (120,307)</u>	<u>\$ (983,236)</u>	<u>\$ 424,720</u>

Data presented is from fiscal year ended June 30, 2002, when GASB 34 was implemented.

CITY OF LAGUNA HILLS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Tax	Sales & Use Tax	Motor Vehicle in Lieu Tax	Other State Subvention	Franchise Tax	Transient Occupancy Tax	Total
2002	\$ 4,323,019	\$ 6,400,705	\$ 2,094,888	\$ 50,988	\$ 853,807	\$ 840,759	\$ 14,564,166
2003	4,532,842	6,799,566	1,951,508	24,944	851,198	830,935	14,990,993
2004	4,836,439	6,746,046	1,546,339	1,108	888,821	967,378	14,986,131
2005	4,892,577	7,964,948	2,724,783	1,919	920,778	980,585	17,485,590
2006	5,219,940	6,868,829	2,591,236	95,072	1,006,109	1,156,409	16,937,595
2007	6,000,932	6,811,004	2,575,919	25,026	1,218,116	1,227,989	17,858,986
2008	6,310,302	6,368,887	2,690,646		1,202,702	1,219,609	17,792,146
2009	8,624,076	5,522,204	114,895		1,237,335	915,807	16,414,317
2010	8,573,008	5,197,367	99,167		1,217,595	752,478	15,839,615
2011	8,186,735	5,238,949	154,787		1,199,882	869,505	15,649,858

^(a) Data presented is from fiscal year ended June 30, 2002, when GASB 34 was implemented.

CITY OF LAGUNA HILLS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 126,619	\$ 187,690	\$ 127,613	\$ 52,957	\$ 40,016	\$ 30,745	\$ 186,524	\$ 44,610	\$ 15,624	\$
Unreserved	10,929,290	10,710,922	10,556,528	9,252,463	10,074,573	11,019,918	10,313,093	8,582,945	8,611,931	
Nonspendable										305,302
Restricted										
Committed										
Assigned										1,318,164
Unassigned										5,536,817
Total general fund	\$ 11,055,909	\$ 10,898,612	\$ 10,684,141	\$ 9,305,420	\$ 10,114,589	\$ 11,050,663	\$ 10,499,617	\$ 8,627,555	\$ 7,422,224	\$ 7,160,283
All other governmental funds										
Reserved	\$ 814,145	\$ 4,584,721	\$ 614,510	\$ 628,258	\$ 652,694	\$ 419,790	\$ 421,484	\$ 415,078	\$ 1,817,086	\$
Unreserved, reported in:										
Special revenue funds	1,020,083	1,627,814	1,918,250	2,129,536	2,751,414	2,603,432	4,202,374	2,427,534	2,411,192	
Debt service funds		415,163	416,135	421,470	435,502					
Nonspendable										
Restricted										3,653,349
Committed										
Assigned										
Unassigned										(273,326)
Total all other governmental funds	\$ 1,834,228	\$ 6,627,698	\$ 2,948,895	\$ 3,179,264	\$ 3,839,610	\$ 3,023,222	\$ 4,623,858	\$ 2,842,612	\$ 4,228,278	\$ 3,380,023

CITY OF LAGUNA HILLS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 6,017,586	\$ 6,214,974	\$ 6,803,566	\$ 7,312,670	\$ 7,412,442	\$ 8,598,829	\$ 8,843,272	\$ 10,858,989	\$ 10,553,196	\$ 10,513,681
Licenses and permits	236,278	319,494	854,948	530,839	505,608	599,423	579,915	521,724	423,012	550,155
Intergovernmental	11,444,907	12,105,317	10,515,416	12,348,515	14,796,110	16,153,141	12,364,967	9,727,124	7,975,877	10,023,285
Charges for current services	1,907,776	1,021,335	1,111,839	743,414	828,054	815,148	951,289	909,504	946,119	1,047,727
Fines and forfeitures	307,458	323,792	333,119	357,000	485,977	426,060	437,376	435,452	542,732	401,665
Miscellaneous					25,914					
Investment income	768,697	252,812	224,829	222,313	363,044	552,887	494,550	223,846	45,732	36,906
Total revenues	<u>20,682,702</u>	<u>20,237,724</u>	<u>19,843,717</u>	<u>21,514,751</u>	<u>24,417,149</u>	<u>27,145,488</u>	<u>23,671,369</u>	<u>22,676,639</u>	<u>20,486,668</u>	<u>22,573,419</u>
Expenditures:										
Current:										
Legislative/executive	1,594,617	1,673,657	1,264,822	1,296,945	1,389,261	1,431,276	1,521,937	1,527,927	1,583,009	1,528,226
Administrative services	1,303,699	1,677,304	1,816,417	1,811,903	1,663,400	1,804,671	1,863,562	1,664,029	1,537,841	1,591,486
Public services	3,760,190	3,413,539	3,445,753	3,441,494	3,551,780	4,050,846	4,897,258	4,419,088	4,088,538	4,190,842
Community development	624,608	732,057	748,454	1,050,679	1,239,540	1,533,319	1,823,818	1,660,768	1,593,187	1,404,624
Community services	849,827	1,124,936	1,230,118	1,378,890	1,518,157	1,679,248	1,717,124	1,733,464	1,570,196	1,646,388
Public safety	4,260,433	4,998,999	4,883,141	5,303,888	5,630,812	5,915,809	6,524,289	6,427,542	6,585,639	6,475,456
Capital outlay	17,310,083	5,758,801	9,764,192	6,128,394	5,337,802	8,991,937	2,619,246	7,102,899	2,013,797	5,013,252
Debt service:										
Interest	939,688	1,067,963	1,048,504	1,004,910	975,512	945,372	913,325	878,480	427,854	712,976
Cost of bond issuance	339,044								301,477	
Payment to bond escrow agent	887,222									
Discount on bond	305,290									
Principal retirement		640,000	849,844	1,216,000	1,130,000	1,160,000	1,016,178	1,010,000	820,000	1,090,000
Total expenditures	<u>32,174,701</u>	<u>21,087,256</u>	<u>25,051,245</u>	<u>22,633,103</u>	<u>22,436,264</u>	<u>27,512,478</u>	<u>22,896,737</u>	<u>26,424,197</u>	<u>20,521,538</u>	<u>23,653,250</u>
Excess (deficiency) of revenues over expenditures	(11,491,999)	(849,532)	(5,207,528)	(1,118,352)	1,980,885	(366,990)	774,632	(3,747,558)	(34,870)	(1,079,831)

(Continued)

(Continued)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other financing sources (uses):										
Transfers in	\$ 31,295,918	\$ 11,515,391	\$ 18,075,145	\$ 10,035,905	\$ 10,928,487	\$ 17,968,939	\$ 5,956,627	\$ 13,800,602	\$ 7,868,431	\$ 12,431,918
Transfers out	(31,295,918)	(11,645,391)	(18,075,145)	(10,065,905)	(11,527,866)	(17,868,939)	(5,656,627)	(13,650,602)	(7,843,641)	(12,356,918)
Bond Proceeds	19,000,000	5,660,000							17,190,000	
Payment to bond escrow agent	(8,596,094)								(18,081,996)	
Premium on bond issue									1,206,953	
Sales tax repayment						(358,909)				
Lawsuit Settlement			1,349,451			550,000	(70,000)	(55,750)	(7,500)	(105,365)
Total other financing sources (uses)	<u>10,403,906</u>	<u>5,530,000</u>	<u>1,349,451</u>	<u>(30,000)</u>	<u>(599,379)</u>	<u>291,091</u>	<u>230,000</u>	<u>94,250</u>	<u>332,247</u>	<u>(30,365)</u>
Net change in fund balances	<u>\$ (1,088,093)</u>	<u>\$ 4,680,468</u>	<u>\$ (3,858,077)</u>	<u>\$ (1,148,352)</u>	<u>\$ 1,381,506</u>	<u>\$ (75,899)</u>	<u>\$ 1,004,632</u>	<u>\$ (3,653,308)</u>	<u>\$ 297,377</u>	<u>\$ (1,110,196)</u>
Debt service as a percentage of noncapital expenditures	4.97%	8.41%	7.62%	12.13%	11.75%	10.13%	10.17%	9.64%	6.67%	7.42%

CITY OF LAGUNA HILLS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate		Estimated Actual Taxable Value	Assessed Value ^(a) as a Percentage of Actual Value
	Land	Improvements				TRA 31-066	TRA 31-001		
2002	\$ 1,689,950	\$ 2,066,089	\$ 133,627	\$ 111,137	\$ 3,778,529	1.03592	1.01604	\$ 3,782,350	99.899%
2003	1,815,482	2,134,455	142,675	125,317	3,967,296	1.02821	1.01724	3,967,515	99.994%
2004	1,990,403	2,214,756	131,000	138,425	4,197,734	1.00610	1.01902	4,197,860	99.997%
2005	2,216,145	2,289,665	132,785	130,954	4,507,641	1.04206	1.01771	4,508,804	99.974%
2006	2,516,918	2,382,644	128,824	118,914	4,909,472	1.03599	1.01598	4,909,424	100.001%
2007	2,834,519	2,462,720	151,279	132,697	5,315,821	1.03118	1.01469	5,313,973	100.035%
2008	3,034,914	2,565,230	164,299	29,001	5,735,442	1.03264	1.01401	5,736,525	99.981%
2009	3,030,698	2,651,991	156,285	148,289	5,690,685	1.03473	1.01507	5,692,646	99.966%
2010	2,865,870	2,726,535	140,679	144,635	5,588,449	1.03564	1.01475	5,589,417	99.983%
2011	2,767,424	2,707,753	126,552	141,164	5,460,565	1.03533	1.01471	5,460,470	100.002%

Sources: HdL Coren & Cone, Orange County Assessor Annual Tax Rolls

Note: Property in the county is reassessed annually.

^(a) Does not include aircraft or tax-exempt property.

CITY OF LAGUNA HILLS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING ^(a) GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	TRA 31-066				Direct & Overlapping Rates	TRA 31-001			
	City of Laguna Hills		Overlapping Rates			City of Laguna Hills		Overlapping Rates	
	Assessments	School	Special			Assessments	School	Special	
	Basic Levy- Operating	District Debt Service	Districts		Basic Levy- Operating	District Debt Service	Districts		
2002	1.00000		0.03592	1.03592	1.00000	0.00834	0.00770	1.01604	
2003	1.00000		0.02821	1.02821	1.00000	0.01054	0.00670	1.01724	
2004	1.00000		0.00610	1.00610	1.00000	0.01292	0.00610	1.01902	
2005	1.00000	0.03626	0.00580	1.04206	1.00000	0.01191	0.00580	1.01771	
2006	1.00000	0.03079	0.00520	1.03599	1.00000	0.01078	0.00520	1.01598	
2007	1.00000	0.02668	0.00450	1.03118	1.00000	0.01019	0.00450	1.01469	
2008	1.00000	0.02834	0.00430	1.03264	1.00000	0.00971	0.00430	1.01401	
2009	1.00000	0.03043	0.00430	1.03473	1.00000	0.01077	0.00430	1.01507	
2010	1.00000	0.03194	0.00370	1.03564	1.00000	0.01105	0.00370	1.01475	
2011	1.00000	0.03163	0.00370	1.03533	1.00000	0.01101	0.00370	1.01471	

Source: Orange County Auditor-Controller Tax Rate Book

^(a) Overlapping rates are those of local and county governments that apply to property owners within the City of Laguna Hills. Not all overlapping rates apply to all City of Laguna Hills property owners (e.g., the rates of special districts apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the special district.)

CITY OF LAGUNA HILLS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts expressed in thousands)

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
	Shopping Center Associates	\$ 122,485	1	2.24%	\$ 83,985	1
Acquiport Three Corporation	73,267	2	1.34%	55,863	2	1.48%
TGM Prado LLC	51,770	3	0.95%			
LakeHills at Laguna LLC	43,375	4	0.79%			
SPRTMRT Properties Trust	39,591	5	0.73%	28,830	6	0.76%
LHT Saddleback LLC	37,415	6	0.69%			
La Paz Office Plaza LLC	30,151	7	0.55%			
Memorial Health Services	26,994	8	0.49%			
Moulton Plaza LLC	22,277	9	0.41%			
EQR-Villa Solana Vistas	21,444	10	0.39%	18,253	10	0.48%
Landmark Laguna LP				38,200	3	1.01%
Pinebrook Apartments				34,491	4	0.91%
Saddleback Partners LLC				29,415	5	0.78%
VV California				20,984	7	0.56%
Laguna Hills Investment				20,037	8	0.53%
Spieker Properties LP				19,247	9	0.51%
Totals	<u>\$ 468,769</u>		<u>8.58%</u>	<u>\$ 349,305</u>		<u>9.24%</u>

Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls

CITY OF LAGUNA HILLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Secured	Unsecured	Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 3,749	\$ 220	\$ 3,969	\$ 3,881 97.8%	\$ 49	\$ 3,930 99%	
2003	3,862	218	4,080	4,001 98.1%	60	4,061 100%	
2004	4,133	224	4,357	4,270 98.0%	58	4,328 99%	
2005	4,488	230	4,718	4,631 98.2%	50	4,682 99%	
2006	4,884	232	5,116	4,990 97.5%	54	5,044 99%	
2007	5,266	267	5,533	5,325 96.2%	67	5,393 97%	
2008	5,697	250	5,946	5,714 96.1%	116	5,830 98%	
2009	5,675	250	5,925	5,685 96.0%	200	5,885 99%	
2010	5,555	256	5,812	5,629 96.9%	203	5,832 100%	
2011	5,489	248	5,737	5,577 97.2%	133	5,710 100%	

CITY OF LAGUNA HILLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Certificates of Participation	Percentage of Estimated Actual Taxable Value of Property ^(a)	Per Capita ^(b)
2002	\$19,000	0.50%	\$583.47
2003	24,020	0.61%	730.65
2004	23,180	0.55%	702.21
2005	22,300	0.49%	659.55
2006	21,390	0.44%	632.63
2007	20,450	0.38%	604.83
2008	19,480	0.34%	582.87
2009	18,470	0.32%	554.99
2010	17,190	0.31%	511.71
2011	16,100	0.29%	529.43 ^(c)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^(a) *See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page III - 10 for property value data.*

^(b) *Population data can be found in the Schedule of Demographic and Economic Statistics on page III - 19.*

^(c) *Per capita increase due to decrease in population, based on 2011 adjusted population forecast prepared by CSUF Center for Demographics, which incorporates 2010 Census data and 2010 California Employment Development Department benchmark data.*

CITY OF LAGUNA HILLS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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Note: There was no general bonded debt outstanding for the last ten fiscal years.

CITY OF LAGUNA HILLS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011

	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	227,670,000	0.305%	694,394
Saddleback Valley Unified School District	134,935,000	18.732%	25,276,024
Capistrano Unified School District Facilities Improvement District No. 1	48,449,930	0.018%	8,721
Moulton-Niguel Water District and, I.D.'s 6 & 8	26,370,000	3.467 & 94.918%	1,055,997
Orange County Community Facilities District #88-2	623,796	100.000%	623,796
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 27,658,932
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
		<u>% Applicable</u>	<u>Debt</u>
Orange County General Fund Obligations	316,898,000	1.458%	\$ 4,620,373
Orange County Pension Obligations	54,682,497	1.458%	797,271
Orange County Board of Education Certificates of Participation	19,000,000	1.458%	277,020
Municipal Water District of Orange County Water Facilities Corporation	14,120,000	1.721%	243,005
South Orange County Community College District Certificates of Participation	17,375,000	3.392%	589,360
Capistrano Unified School District Certificates of Participation	22,980,000	0.012%	2,758
Irvine Ranch Water District Certificates of Participation	81,400,000	0.001%	814
Moulton-Niguel Water District Certificates of Participation	86,805,000	13.888%	12,055,478
SUBTOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 18,586,079
City of Laguna Hills Certificates of Participation, Direct Debt	16,100,000	100.000%	16,100,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			34,686,079
Less: MWDOC Water Facilities Corporation (100% self-supporting)			243,005
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 34,443,074
GROSS COMBINED TOTAL DEBT			\$ 62,345,011 ^b
NET COMBINED TOTAL DEBT			\$ 62,102,006

^(a) The percentage of overlapping debt applicable is estimated using taxable assessed property values.

^(b) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CITY OF LAGUNA HILLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 567,352	\$ 595,127	\$ 629,679	\$ 676,321	\$ 736,414	\$ 797,096	\$ 860,479	\$ 853,897	\$ 838,413	\$ 819,070
Total net debt applicable to limit	<u>19,000</u>	<u>24,020</u>	<u>23,180</u>	<u>22,300</u>	<u>21,390</u>	<u>20,450</u>	<u>19,480</u>	<u>18,470</u>	<u>17,190</u>	<u>16,100</u>
Legal debt margin	<u>\$ 548,352</u>	<u>\$ 571,107</u>	<u>\$ 606,499</u>	<u>\$ 654,021</u>	<u>\$ 715,024</u>	<u>\$ 776,646</u>	<u>\$ 840,999</u>	<u>\$ 835,427</u>	<u>\$ 821,223</u>	<u>\$ 802,970</u>
Total net debt applicable to limit as a percentage of debt limit	3.35%	4.04%	3.68%	3.30%	2.90%	2.57%	2.26%	2.16%	2.05%	1.97%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 5,566,678
Add back: exempt real property	<u>106,208</u>
Total assessed value	5,460,470
Debt limit (15% of total assessed value)	819,070
Debt applicable to limit:	
Certificates of Participation	<u>16,100</u>
Total net debt applicable to limit	16,100
Legal debt margin	<u>\$ 802,970</u>

Note: Under state finance law, the City of Laguna Hills' outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF LAGUNA HILLS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Note: There was no debt covenants that required pledged-revenue coverage for the last ten fiscal years.



CITY OF LAGUNA HILLS

DEMOGRAPHIC & ECONOMIC STATISTICS

2010 Population by Race/Ethnicity

Race/Ethnicity	Quantity	Percentage
White	18,725	61.7%
Hispanic	6,242	20.6%
Asian & Pacific Islander	3,790	12.5%
Black	373	1.2%
Other	1,214	4.0%

Year	Total Personal Income (thousands) ⁽¹⁾	Per Capita Income
2001	1,186,032	36,647
2002	1,198,698	36,741
2003	1,226,811	37,369
2004	1,275,828	38,677
2005	1,321,554	39,938
2006	1,384,623	41,813
2007	1,425,961	43,058
2008	1,441,089	43,346
2009	1,417,282	42,444
2010	1,500,666	44,672

Consumer Price Index

Year	CPI	% Change
2001	177.3	3.3%
2002	182.2	2.8%
2003	187.0	2.6%
2004	193.2	3.3%
2005	201.8	4.5%
2006	210.4	4.3%
2007	217.3	3.3%
2008	225.0	3.5%
2009	223.2	-0.8%
2010	225.8	1.2%

2010 Housing Units

	Quantity	%
Total Housing Units	11,046	-
Occupied	10,469	94.8%
Vacant	577	5.2%
Persons Per Renter-Occupied Unit	2.89	
Persons per Owner-Occupied Unit	2.85	

Population

2001	32,369
2002	32,626
2003	32,833
2004	32,994
2005	33,101
2006	33,129
2007	33,143
2008	33,421
2009	33,280
2010	33,593
2011	30,410

Unemployment Rate

Year	Labor Force	Unemployed	Rate
2001	21,020	280	1.3
2002	21,300	450	2.1
2003	21,240	500	2.4
2004	21,600	400	1.9
2005	17,900	600	3.1
2006	17,800	500	2.9
2007	18,300	500	2.9
2008	18,300	700	4.0
2009	18,200	1,300	7.0
2010	17,800	1,400	8.0

Building Activity and Valuation (in thousands)

	2008	2009	2010
Residential			
New Single Family	2,633	0	2,905
New Multi-Family	0	0	0
Addition, alterations	4,284	5,626	12,608
Total Residential	6,917	5,626	15,513
Commercial			
New Commercial	2,700	0	0
New Industrial	0	0	0
Addition, alterations	5,731	5,111	5,949
Total Non-Residential	8,431	5,111	5,949
Total Valuation	12,715	10,737	21,462
No. of New Dwelling Units	4	0	3

2010 Population by Age

Age	Population	%
0-4	1,563	5.2%
5-14	3,804	12.5%
15-24	4,012	13.2%
25-34	3,412	11.4%
35-54	9,319	30.7%
55-64	4,214	14.1%
65-74	2,106	6.90%
75+	1,784	5.9%



Sources: Cal State Fullerton Center for Demographic Research, HDL Reported City of Laguna Hills' Demographic, and Economic Statistics, US Census Bureau and Department of Labor and Statistics

⁽¹⁾ Demographic Data is totaled from Census Block Groups that overlap the City's boundaries.

CITY OF LAGUNA HILLS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2010 ⁽¹⁾			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Saddleback Memorial Medical	1,020	1	6.22%	1,800	1	8.68%
Professional Community Management	350	2	2.13%			
JC Penney Corp Inc.	250	3	1.52%			
Macys Department Store	200	4	1.22%			
United Parcel Service				125	2	0.60%
Semi-Kinetics Inc				109	3	0.53%
Merrill Lynch & Co. Inc.				100	4	0.48%
PacificCare Behavioral Health				100	5	0.48%
Total	1,820		11.10%	2,234		10.77%

Source: California State University, Fullerton, Center for Demographic Research, Orange County Progress Report 2010 & 2001

(1) 2011 Orange County Progress Report not available.

CITY OF LAGUNA HILLS
FULL-TIME EQUIVALENT PERSONNEL ALLOCATION BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Personnel at June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Legislative/executive	5.16	5.06	5.06	4.31	5.31	5.31	5.31	5.72	5.72	5.72
Administrative services	8.18	8.28	8.28	9.03	7.28	7.78	6.78	6.18	6.18	6.18
Public services	30.25	30.25	30.00	30.00	30.00	41.00	41.00	42.00	42.00	44.00
Community development	5.50	5.50	6.00	6.00	7.85	8.30	8.30	8.15	7.15	8.15
Community services	14.50	14.50	15.50	14.25	14.25	14.25	14.25	15.61	15.61	15.75
Public safety	<u>32.13</u>	<u>32.13</u>	<u>30.10</u>	<u>30.17</u>	<u>30.07</u>	<u>31.19</u>	<u>31.24</u>	<u>29.19</u>	<u>29.19</u>	<u>29.20</u>
Total	<u>95.72</u>	<u>95.72</u>	<u>94.94</u>	<u>93.76</u>	<u>94.76</u>	<u>107.83</u>	<u>106.88</u>	<u>106.85</u>	<u>105.85</u>	<u>109.00</u>

Source: City of Laguna Hills' Biennial Budget

CITY OF LAGUNA HILLS
OPERATING INDICATORS BY FUNCTION
FOR THE FISCAL YEAR ENDING JUNE 30, 2011

Function	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11
Police ^(b)							
Physical arrests	468	487	579	460	740	721	684
Parking violations	897	1,799	3,162	2,757	3,636	2,662	2,087
Traffic violations	3,637	5,367	3,846	5,566	4,886	5,781	4,089
Fire ^(c)							
Number of calls answered	2,211	2,373	2,424	2,434	2,421	2,558	2,614
Inspections	651	586	549	309	387	439	393
Highways and Streets ^(d)							
Sidewalk replacement (sq. ft.)	10,190	7,610	3,450	1,850	4,660	22,266	8,592
Curb & gutter replacement (linear ft.)	1,678	626	90	110	2,374	1,030	1,727
Asphalt concrete placed (tons)	12,244	15,203	13,385	11,362	21,291	15,695	14,454
Street sweeping debris collected (tons)	315	922	546	265	449	294	290
New sign installations	23	37	65	37	64	92	102
Sign Replacements	102	161	304	238	277	168	173
Trees trimmed	1,493	2,370	1,815	1,763	1,774	2,273	1,872
Trees removed	349	247	265	207	214	81	114
Trees planted	90	67	108	262	82	43	39
Sanitation ^(a)							
Refuse collected (tons/day)	83	80	70	63	50	46	46
Recyclables collected (tons/day)	72	77	65	55	52	50	47
Culture and Recreation ^(e)							
Community center programs (participants)	7,877	8,215	8,650	8,173	9,538	7,262	6,876
Athletic permits	70	74	71	70	76	69	57
Waste Stream ^(a)							
Refuse collected (tons)	30,124	29,126	25,705	22,981	18,089	16,698	16,814
Recyclables collected (tons)	26,102	27,927	23,691	20,120	19,081	18,162	17,325

^(a) CR&R Monthly Tonnage Report, 6/30/11

^(b) Orange County Sheriff's Department Deputy Statistics Report

^(c) Orange County Fire Authority- Clerk of the Authority, Safety & Environmental Services, Planning & Development

^(d) City of Laguna Hills, Public Works Department

^(e) City of Laguna Hills, Community Center Department

CITY OF LAGUNA HILLS
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Highways and streets										
Streets (miles)	82	83	83	83	83	83	83	83	83	83
Traffic signals	44	44	45	45	45	45	45	45	45	45
Culture and recreation										
Parks acreage	83	83	83	83	83	83	83	83	83	83
Parks	15	15	15	15	15	15	15	15	15	15
Community centers	1	1	1	1	1	1	1	1	1	1
Civic Center				1	1	1	1	1	1	1

Source: Various City Departments

CITY OF LAGUNA HILLS

AT A GLANCE

GENERAL INFORMATION

The City of Laguna Hills, located in South Orange County, has approximately 6.6 square miles of land in its corporate boundary and is now home to 30,410 people. Majority of the area in the City has a distinctive residential character. Yet, the City has a strong commercial base in its northern part. This commercial area, or “urban village”, is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Hospital. It includes approximately 2,000,000 square feet of retail, restaurant, professional office, and medical related building space. When the City annexed the “North Laguna Hills” area in July of 1996, the City acquired 1.2 square miles of primarily light industrial, professional office, specialty retail, hotel, and residential uses. This annexed area contains a furniture row, office headquarters, major electronics products, retailer, and the only light industrial/manufacturing establishments in the City. In September of 2000, the City grew by another 150 acres as a result of the annexation of residential properties identified as West Laguna Hills.

HISTORY

Laguna Hills is built on one of the major land grants developed during the rancho area. Following Mexico’s independence from Spain in 1821, those who had served in the government or who had friends in authority were given vast lands for cattle grazing. Rancho Lomas de Santiago, Rancho San Joaquin, and Rancho Niguel covered much of the western portion of the Saddleback Valley. Don Juan Avila was granted the 13,000-acre Rancho Niguel on which Laguna Hills is located.

In 1874, Lewis Moulton purchased Rancho Niguel from Don Juan Avila and increased the original grant to 22,000 acres. Moulton and his partner, Jean Piedrea Daguerre, used the ranch to raise sheep and cattle. The Moulton ranch was eventually subdivided in the early 1960s part of which is recognized as Laguna Hills.

Incorporation efforts began in 1987 and on March 5, 1991, the goal of incorporation was finally achieved with 86% of the residents voting in favor of forming the City of Laguna Hills. On December 20, 1991, Laguna Hills officially became a City.

CITY GOVERNMENT

The City of Laguna Hills is a General Law City that operates under the Council/Manager form of government. The voters elect five of their fellow citizens to the City Council for overlapping four-year terms. The Council, in turn, selects one of its members to serve as Mayor for a one-year term. The City Council holds regular public meetings on the second and fourth Tuesday of each month.