

City of Laguna Woods, California
Comprehensive Annual Financial Report
with Report on Audit
by Independent Certified Public Accountants
For the Year Ended June 30, 2015 (FY 2014-15)



Prepared By:

City of Laguna Woods
Administrative Services Department

Margaret Cady, CPA
Administrative Services Director/City Treasurer

CITY OF LAGUNA WOODS

TABLE OF CONTENTS

June 30, 2015

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Principal Officials	vi
Organization Chart	vii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-Wide Financial Statements:	15
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	21
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28
Notes to Basic Financial Statements	29
Required Supplementary Information:	63
Schedule of Proportionate Share of the Net Pension Liability	64
Schedule of Contributions	65
Schedule of Funding Progress - Other-Post Employment Benefit Plan	66
Budgetary Comparison Schedules:	67
General Fund	68
Measure M Special Revenue Fund	69
Traffic Mitigation Fees Special Revenue Fund	70
Note to Required Supplementary Information	71

CITY OF LAGUNA WOODS

TABLE OF CONTENTS
(CONTINUED)

June 30, 2015

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Supplementary Information:	73
Other Governmental Funds:	75
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	78
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Gas Tax Special Revenue Fund	80
Supplemental Law Enforcement Special Revenue Fund	81
Air Quality Improvement Special Revenue Fund	82
Senior Mobility Special Revenue Fund	83
Community Development Block Grant Special Revenue Fund	84
PEG/Cable Television Special Revenue Fund	85
Grants Special Revenue Fund	86
STATISTICAL SECTION:	
Description of Statistical Section Contents	87
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	88
Changes in Net Position - Expenses and Program Revenues - Last Ten Fiscal Years	90
Changes in Net Position - General Revenues - Last Ten Fiscal Years	92
Fund Balances of Governmental Funds - Last Ten Fiscal Years	94
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	96
Revenue Capacity:	
Property Tax Dollar Breakdown - Fiscal Year 2014-15	98
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	99
Overlapping Debt	100
Top Ten Property Taxpayers - Fiscal Year 2005-06	101
Top Ten Property Taxpayers - Fiscal Year 2014-15	102
Property Use Category Summary - Fiscal Year 2014-15	103
Property Tax Levies and Collections - Last Ten Fiscal Years	104
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	105
Top 25 Sales Producers - Fiscal Year 2005-06	106
Top 25 Sales Producers - Fiscal Year 2014-15	107
Taxable Sales by Category - Last Ten Calendar Years	108

CITY OF LAGUNA WOODS

TABLE OF CONTENTS
(CONTINUED)

June 30, 2015

	<u>Page Number</u>
STATISTICAL SECTION (CONTINUED):	
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	110
Principal Employers - Calendar Year 2014 and Nine Years Ago	111
Assessed Value of Taxable Property	112
Residential Sales Value History	114
Operating Information:	
Full-Time Equivalent City Employees by Function - Last Ten Fiscal Years	115
Operating Indicators by Function - Last Ten Fiscal Years	116
Capital Asset Statistics by Function - Last Ten Fiscal Years	117

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INTRODUCTORY SECTION

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CITY of LAGUNA WOODS

Cynthia S. Conners
Mayor

November 23, 2015

Noel Hatch
Mayor Pro Tem

To Honorable Mayor and Members of the City Council:

Bert Hack
Councilmember

It is our privilege to present the City of Laguna Woods' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015 (Fiscal Year 2014-15). This CAFR was prepared by the City's Administrative Services Department in conformance with Generally Accepted Accounting Principles (GAAP). This CAFR also meets State law requirements for the annual publication of audited financial records.

Shari L. Horne
Councilmember

Carol Moore
Councilmember

Christopher Macon
City Manager

This CAFR consists of management's representations concerning the finances of the City. As such, management assumes full responsibility for the completeness and reliability of all information presented. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation the City's financial statements. The internal control framework is a guide at a given point in time. As the City's business and operating environment may change over time, the internal control framework is periodically reassessed by management to identify opportunities to improve its effectiveness. The internal control framework is designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management believes that, to the best of our knowledge and belief, this CAFR is complete and reliable in all material respects.

The City's financial statements have been audited by White Nelson Diehl Evans LLP, an independent firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for Fiscal Year 2014-15 are free of material misstatement. The independent audit involved examining, on a test basis: evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The City, as a recipient of Federal financial assistance, including pass-through of Federal funding by the State of California, County of Orange, and other local agencies, is responsible for compliance with applicable laws and regulations related to those programs. The City's internal control framework, monitored by management, was designed to meet required compliance. Annual reporting thresholds as detailed in the federal Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, establishes a threshold for a required annual audit (single audit) of those entities that receive Federal funding. The City did not meet the threshold and was not required to have a single audit performed for Fiscal Year 2014-15.

This transmittal letter is designed to supplement the components of the CAFR, which include a Management Discussion and Analysis (MD&A), summaries of all financial activity for all funds of the City, and government-wide financial statements. The MD&A provides analysis of trends, fluctuations, variances, and other events or decisions that affect the financial condition of the City. This transmittal letter complements and should be read in conjunction with the MD&A. The MD&A can be found immediately following the independent auditor's report.

Government Profile

The City of Laguna Woods was incorporated on March 24, 1999 and includes the private gated community of Laguna Woods Village, several senior-oriented residential communities, commercial centers, three public parks, and additional open space areas. The City occupies approximately three square miles of land in Orange County, California and is bordered by the cities of Aliso Viejo, Irvine, Laguna Beach, and Laguna Hills, as well as unincorporated and undeveloped open space owned by the County of Orange and the City of Laguna Beach.

The City is a "general law city" with a "Council-Manager" form of local government, meaning that it operates within the parameters of California municipal law with an elected City Council that is responsible for legislative and policy functions. The City Council appoints and supervises a professional City Manager charged with the "day-to-day" responsibilities of managing the City and implementing City Council laws and policy. The City Council also appoints a City Attorney to serve as the City's legal counsel. The five members of the City Council are residents elected at large by registered voters to four-year terms. Elections are held in even numbered years with two and then three Councilmembers elected at subsequent elections. The City Council appoints a Mayor and Mayor Pro Tem from its membership.

The City operates as a contract city, contracting with other governmental entities and private firms to provide traditional municipal services. Key franchise and contract services providers for Fiscal Year 2014-15 included:

Animal Control & Shelter Services	City of Laguna Beach
Engineering Services	CivilSource, Inc.
Code Enforcement & Infrastructure Inspection Services	AndersonPenna Partners, Inc.
Landscape Maintenance Services	Nieves Landscaping
Law Enforcement Services	Orange County Sheriff's Department
Legal Services	Rutan & Tucker, LLP
Planning Services	Pacific Management Consultants
Right-of-Way Maintenance Services	PV Maintenance
Solid Waste Handling Services	Ware Disposal, Inc.

The City is a member of two joint powers authorities – the California Joint Powers Insurance Authority (CJPIA), which provides insurance and risk management services, and the Orange County Fire Authority (OCFA), which provides fire services. As a "structural fire fund city," a fire tax is included in Laguna Woods' 1% basic property tax levy. As the County of Orange

collects the fire tax, accumulates the proceeds in a structural fire fund, and makes payments to OCFA on behalf of the City, expenses for fire services are not included in the CAFR.

Prior to each fiscal year, the City Council adopts a budget, which serves as the foundation for the City's financial planning and control. The budget is established at the fund and department levels with the City Manager having the authority to make adjustments within and between departments in the same fund, provided that there are no increases in fund budgets. While the City Manager is authorized to decrease fund-level budget appropriations as a method of fiscal control, City Council action is required to increase fund-level budget appropriations.

Local Economy

On June 24, 2015, Chapman University's A. Gary Anderson Center for Economic Research reported that both California and Orange County experienced broad-based employment growth in 2014, as well as positive growth in real gross domestic product, exports, and construction spending. Positive growth was also projected in median home prices in both California and Orange County for coming years (5.4% and 4.8%, respectively, in 2015 and 4.4% and 3.7%, respectively, in 2016). While the City's demographics differ somewhat substantially from even an average of the entirety of Orange County, and local home sales tend to be slower, Chapman University's findings provide regional context for local economic analysis.

While the City's budget projections evidence a gradual improvement of the local economy, the challenges of a new fiscal reality are apparent. Increases in both the service level and cost of law enforcement services to respond to local public safety needs resulted in significant changes to the City's budget and operations for Fiscal Year 2015-16. Law enforcement services costs, coupled with the modest future growth estimated for the City's major sources of General Fund operating revenue (property tax and sales tax), prevent the conduct of "business as usual."

In addition to the challenges presented by increasing law enforcement services costs, the City is also mindful of the risks posed by the lack of a strong and diversified local sales tax base, as well as a downward trend in fuel tax revenue due, in part, to a statewide reduction in gasoline prices and consumption. In either case, the City's ability to perform core municipal functions could be impaired by fluctuations in revenues that are relied on to meet day-to-day operational and maintenance needs. In the case of sales tax, those fluctuations could occur with relatively little or no notice with the closure of any major retail or food service business.

To promote fiscal health and sustainability, the City is continuing efforts begun in Fiscal Year 2014-15 to significantly enhance the efficiency, effectiveness, and economy of City business.

Relevant Financial Policies

The City has several financial policies to promote the prudent management and safeguarding of its assets, including an investment policy, payment of obligations policy, and purchasing policies. The City is currently engaged in a comprehensive review and update of those policies and is also in the process of formalizing a fund balance (reserve) policy and establishing an escheatment (treatment of unclaimed or abandoned payables) policy.

Long-Term Financial Planning

The City historically has developed a single-year budget and work plan, as well as a seven-year capital improvement plan. The City is in the initial phases of transitioning to a two-year budget and developing a process for issuing an annual five-year strategic financial plan that will include continuation of a longer-term capital improvement plan. It is anticipated that the first strategic financial plan will be issued in Fiscal Year 2016-17 and updated, annually, thereafter. The first two-year budget and work plan will be introduced for fiscal years 2017-19.

For Fiscal Year 2014-15, the City's budget included the following reserves: (1) an economic uncertainties reserve of 5% of the General Fund operating budget to compensate for unanticipated revenue and expenditure fluctuations (use of this reserve was not required in fiscal year ended June 30, 2015), (2) a compensated employees absences reserve of \$150,000, and, (3) a self-insurance reserve of \$500,000.

At the conclusion of Fiscal Year 2014-15, the City had unassigned fund balances equivalent to approximately 199% of General Fund operating expenses. In conjunction with transitioning to a five-year strategic financial plan, the City is currently reviewing existing fund balance policies to ensure that unreserved fund balances remain healthy over time.

Major Initiatives

For Fiscal Year 2014-15, the City Council selected the following priority focus areas, which provided guiding principles and goals for the City's programs, projects, and services. The same priority focus areas were selected for Fiscal Year 2015-16.

A City that is...

- *Healthy and safe*
- *High in quality of life*
- *Environmentally conscious*
- *Economically prosperous*
- *Fiscally responsible*
- *Professionally and efficiently served*

In Fiscal Year 2014-15, the City made a number of programmatic improvements that resulted in higher organizational performance and customer satisfaction. The City is particularly proud to have expanded building and planning permit counter hours, increased capacity for over-the-counter plan review, and decreased plan review turnaround times, all of which had been identified as significant concerns by both residents and businesses. Other accomplishments included reorganization of the City's administrative services functions, completion of Moulton Smart Street Project construction, receipt of funding for traffic signal synchronization projects on both El Toro Road and Moulton Parkway, and adoption of a Climate Adaptation Plan and Community & Economic Development Improvement Plan.

The City is currently working to implement and complete major initiatives, including:

- Comprehensive update of the City's General Plan
- Establishment of an Other Post-Employment Benefits (OPEB) Trust
- Modernization of the City's commercial zoning code and parking standards
- Development of plans for future water efficient median improvements
- Completion of traffic signal synchronization projects

Additional significant work plan items can be found in the City's budget and work plan.

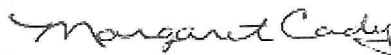
Closing Acknowledgments

The City's new independent auditors, White Nelson Diehl Evans LLP, within a very short time, demonstrated an understanding of the City and its operations and were diligent to advise the City in matters that will improve the City's financial reporting and strengthen internal controls going forward. We thank them for the services provided. We also acknowledge the continued efforts of the City's staff, in particular the Administrative Services Department, for their daily contributions and consistent and creative efforts to help the City plan for the future.

Respectfully,



Christopher Macon
City Manager



Margaret Cady, CPA
Administrative Services Director/City Treasurer

City Officials



Cynthia Conners
Mayor

Noel Hatch
Mayor Pro Tem

Bert Hack
Councilmember

Shari L. Horne
Councilmember

Carol Moore
Councilmember

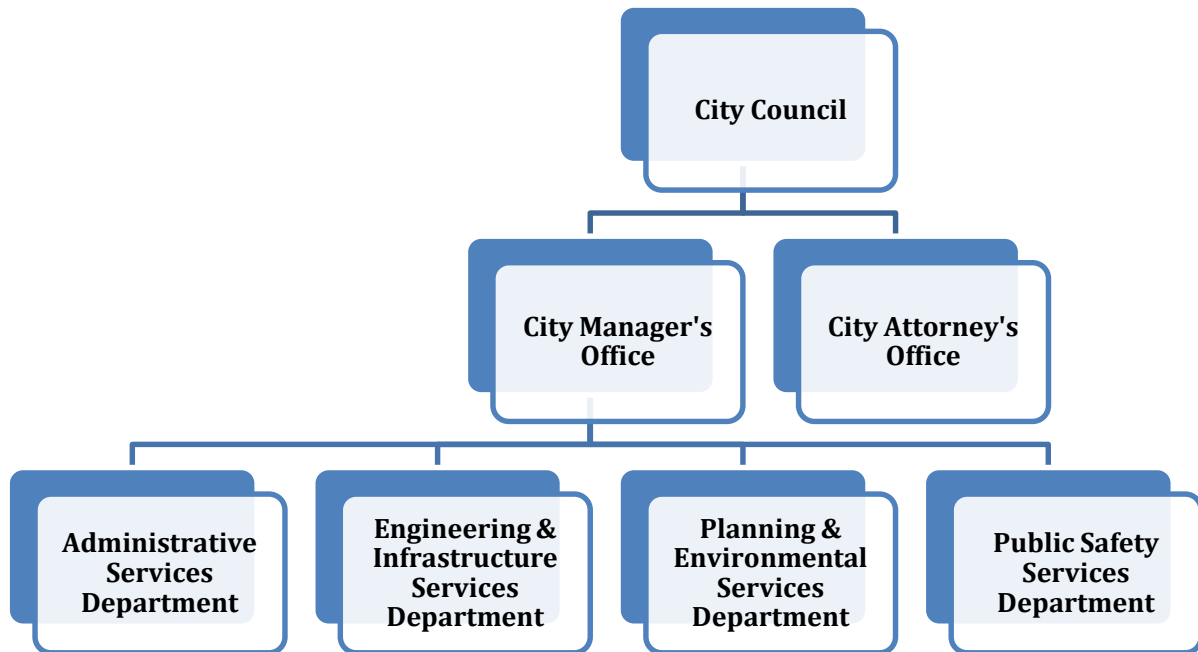
Christopher Macon
City Manager

David B. Cosgrove
City Attorney

Douglas C. Reilly
Assistant City Manager

Margaret Cady, CPA
Administrative Services Director/
City Treasurer

City Organization Chart



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

City Council Members
City of Laguna Woods
Laguna Woods, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Woods (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Woods, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1(k) and 14 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a restatement of net position of the governmental activities. Also, as discussed in Note 14, the City restated the net position of the governmental activities and the fund balances of the governmental funds. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions, the schedule of funding progress - other post-employment benefit plan, and the budgetary comparison schedules of the general and major special revenue funds, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
November 23, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LAGUNA WOODS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Laguna Woods' financial statements provides an overview of the City's financial activities for the fiscal year ended June 30, 2015 (FY 2014-15). This document should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The City ended FY 2014-15 with total assets, including capital assets, exceeding total liabilities by \$46.2 million. This amount is referred to as the net position of the City. Of this amount, \$9.4 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors. Of the remainder, \$35.3 million represents investment in capital assets and the balance is restricted for programs.
- The City's government-wide (see "Using this Annual Report" below for definition) net position increased by \$9.8 million during the year. The increase is primarily attributable to a \$9.5 million contribution of infrastructure by the County of Orange (the County) related to the Moulton Segment 3 Street project (see additional discussion below).
- As of the close of FY 2014-15, the City's governmental funds reported combined ending fund balances of \$11.1 million, an increase of \$2.1 million in comparison to the prior year.
- In FY 2014-15, the City recorded a \$9.5 million contribution of infrastructure from the County related to Phase II of the Moulton Smart Street Segment 3 Street project. The City restated FY 2013-14 capital assets and beginning fund balances to adjust for a \$4.7 million contribution made in 2012 related to Phase I of the project, offset by \$508,036 in accumulated depreciation (expense for the period mid-2012 through June 2015), which had not been previously reported.
- The General Fund reported an ending fund balance of \$10.1 million and an excess of revenues over expenditures and transfers to other funds of \$0.8 million resulting from \$0.7 million in combined expenditure savings across all departments and \$0.1 million in revenues exceeding budgeted amounts.
- The General Fund ending fund balance of \$10.1 million represents over 240% of annual General Fund expenditures (versus 200% last FY). This is a direct result of deferral of capital projects and other achieved savings in the course of business.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *"Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. This impacted net position by the recording of a \$0.4 million pension liability, a \$0.1 million deferred inflow of resources, and an offsetting \$0.1 million deferred outflow of resources. See Notes to the Basic Financial Statements 1(k), 1(o), 9(a)-(c), and 13 for additional disclosure related to pension liabilities and expenses, resulting from the adoption of GASB No. 68 and GASB No. 71.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) provide information about the activities of the City as a whole. The Fund Financial Statements illustrate how City services were financed, as well as what remains for future spending. Fund Financial Statements also report the City's operations in more detail than the Government-Wide Financial Statements by providing information about the City's most significant funds.

Reporting the City as a Whole: The Statement of Net Position and the Statement of Activities

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

These two statements report the City's net position at year-end and changes in net position during the fiscal year. The City's net position, the difference between assets and liabilities, are one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. We are pleased to report that the City's net position increased during FY 2014-15. However, the increase was primarily due to the recording of contributed capital assets by the County. Increases related to operations were minimal and resulted from savings achieved in the normal course of business.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City's governmental activities include general government, public safety, public works, community development, and community services. The City has no business-type activities. Property tax, sales tax, transient occupancy tax, franchise fees, Vehicle Code fines, fuel tax, Measure M revenues and State and Federal grants finance governmental activities.

Reporting the City's Most Significant Funds: Fund Financial Statements

The Fund Financial Statements provide detailed information about major funds, not the City as a whole. Major funds always include the General Fund. The City's special revenue funds are reviewed annually to determine if any should be classified as a major fund, e.g. the fund has 10% or more of total assets, liabilities, or fund balance of total governmental funds. The City may also classify as a major fund any fund or combination of funds that is considered particularly important to users. In FY 2014-15 the City has designated the following as major funds - Measure M, Proposition 1B-State and Local Partnership Program, and Traffic Mitigation Fees funds. Lesser funds are reported collectively as Other Governmental Funds. Some funds are required to be established by State law; however, the City establishes many other funds to help control and manage money for specific purposes or to demonstrate compliance with legal requirements for using certain taxes, grants and other monies. The City currently has only governmental funds.

Governmental Funds focus on how money flows into and out of those funds and the balances left at year-end that are available for future appropriation. These funds are reported using the modified accrual accounting method. Under this method, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current fiscal period while expenditures are recognized in the accounting period in which the liability is incurred. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds. Currently, the City has only a general fund and special revenue funds (capital projects are accounted for in the General Fund).

The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in the reconciliation schedule following each governmental fund financial statement.

THE CITY AS A WHOLE

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities (the City as a whole).

Table 1
Net Position
Governmental Activities

	2015	2014*
Assets:		
Cash and investments	\$10,886,842	\$9,231,799
Other receivables and assets	916,860	1,090,925
Capital assets, net	35,331,456	27,395,543
	<u>\$47,135,158</u>	<u>\$37,718,267</u>
Deferred Outflows of Resources:		
Deferred amount from pension plans	\$79,169	\$-
Total Deferred Outflows of Resources	<u>\$79,169</u>	<u>\$-</u>
Liabilities:		
Accounts payable and other accrued expenses	\$282,020	\$739,308
Long-term liabilities - net pension obligation	398,648	456,086
Long-term liabilities - net OPEB** obligation	89,340	69,640
Long-term liabilities - compensated absences	110,525	99,262
	<u>\$880,533</u>	<u>\$1,364,296</u>
Deferred Inflows of Resources:		
Deferred amount from pension plans	\$138,445	\$0
Total Deferred Inflows of Resources	<u>\$138,445</u>	<u>\$0</u>
Net position:		
Net investment in capital assets	\$35,331,456	\$27,395,543
Restricted	1,464,214	669,420
Unrestricted	9,399,679	8,289,008
	<u>\$46,195,349</u>	<u>\$36,353,971</u>

* 2014 (FY 2013-14) balances have been restated. Capital assets were restated to record a contributed asset net of related depreciation not previously reported (see Table 4 for further discussion). Unrestricted net position was restated as of July 1, 2013 to adjust for (a) the net pension liability related to implementation of GASB Statement #68, (b) the prior year contributed capital not previously recorded net of depreciation, and (c) and for impact of prior period fund balance adjustments. See Note 13 in the financial statements for discussion of all prior period changes.

** OPEB – Other Post-Employment Benefits

Table 2
Changes in Net Position
Government Activities

	2015	2014*
Revenues		
Program revenues:		
Charges for services	\$876,608	\$941,579
Operating contributions and grants	1,419,207	1,485,564
Capital contributions and grants	10,376,299	1,457,217
Total program revenues	\$12,672,114	\$3,884,360
General revenues:		
Taxes:		
Property taxes	\$308,786	\$289,177
Property taxes in lieu of VLF**	1,803,982	1,557,290
Sales taxes	908,621	980,556
Franchise fees	604,739	628,027
Transient occupancy taxes	452,293	443,361
Investment income	26,810	19,248
Miscellaneous income	102,609	-
Total general revenues	\$4,207,840	\$3,917,659
Total revenues	\$16,879,954	\$7,802,019
Expenses		
Governmental activities:		
General government	\$1,378,555	\$1,917,231
Public safety	1,623,288	1,888,534
Public works	2,588,172	2,092,790
Community development	965,458	700,826
Community services	483,103	319,178
Total expenses	\$7,038,576	\$6,918,559
Increase/(decrease) in net position	\$9,841,378	\$883,460

* 2014 (FY 2013-14) balances have been restated to adjust for (a) FY 2013-14 depreciation expense of \$234,478 related to prior year contributed capital not previously recorded, and (b) for impact of other fund balance adjustments. See Note 13 in the financial statements for discussion of all prior period changes.

** VLF – Vehicle License Fees

The following page summarizes key trends and variances related to Tables 1 and 2.

Table 2
Changes in Net Position
(Continued)
Government Activities

- Total assets in the government-wide financial statements were \$47,135,158 as of year-end, an increase of \$9,841,378 (27%) over the restated prior year, which was due primarily to the net increase in capital assets of \$9,496,495, offset by depreciation and a slight decrease in other receivables.
- Unrestricted net position, the part of net position that can be used to finance ongoing obligations, is \$9,399,679 at June 30, 2015, an increase of 13% over the prior year as restated.
- The City's total program and general revenues were \$12,672,114 and \$4,207,840 respectively, totaling \$16,879,954. After removing a one-time capital contribution of \$9,489,706 from program revenues, the adjusted total of \$7,390,248 represents a decrease of \$411,771 or approximately 5% from the prior year. The decrease is primarily due to public works deferred revenues which represent a timing variance of when expenditures are incurred versus reimbursement is received. The total cost of all programs and services was \$7,038,576, which was an increase of approximately 2%, due primarily to slight growth in expenditures for public works and community development programs.
- Local property tax revenues along with property taxes in lieu of State vehicle license fees (VLF) totaled \$2,112,768, and combined, they are the City's largest revenue source at 50% of total revenues. These revenues fund a significant portion of the City's basic services. This combined revenue source increased by \$266,301 in FY 2014-15, or 14%, compared to FY 2013-14 due to an increase in VLF.
- Sales taxes of \$908,621 are the City's second largest revenue source at 22%. This revenue source decreased by \$71,935, or 7%, in FY 2014-15, compared to growth of 15% in FY 2013-14.

Governmental Activities

Table 3, on the following page, presents the cost of each of the City's governmental activity programs: general government, public safety, public works, community development, and community services, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	2015		2014*	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$1,378,555	\$(1,227,741)	\$1,917,231	\$1,798,411
Public Safety	1,623,288	(1,401,389)	1,888,534	1,468,506
Public Works	2,588,172	9,260,204	2,092,790	(207,422)
Community Development	965,458	(893,886)	700,826	(9,256)
Community Services	483,103	(103,650)	319,178	(16,040)
Total	<u><u>\$7,038,576</u></u>	<u><u>\$5,633,538</u></u>	<u><u>\$6,918,559</u></u>	<u><u>\$3,034,199</u></u>

* 2014 (FY 2013-14) balances have been restated to adjust for (a) FY 2014-15 depreciation expense of \$234,478 related to prior year contributed capital not previously recorded, and (b) for impact of other fund balance adjustments. See Note 13 in the financial statements for discussion of all prior period changes.

- General Government expenses of \$1,378,555 comprise 19% of total cost of services in FY 2014-15, compared to 28% in the prior year, and include City Council, City Manager, City Clerk, City Attorney, Administrative Services, Support Services and Risk Management. Charges for services minimally reduce the net cost of these programs. In FY 2014-15, charges for services were approximately 11% of total costs.
- Public Safety expenses of \$1,623,288 comprise 23% of the total cost of services compared to 27% in the prior year. Revenue from fines and Federal and State operating grants reduced the need for general revenues to support this program in FY 2014-15 by 14%, an increase of 9% over the prior year.
- Public Works expenses of \$2,588,172 comprise 37% of the total cost of services, compared to 30% in the prior year. Operating and capital contributions and grants more than offset the total cost of these services this year. FY 2014-15 expenses included annual depreciation expense on the City's infrastructure assets of \$1,554,979. As in the prior fiscal year, most public works costs in FY 2014-15 related to maintenance and operation of the City's roadway system.
- Community Development expenses of \$965,458 comprise 14% of the total cost of services, compared to 10% in the prior year. The total cost of the program increased by \$264,632 or 38%, primarily in planning and environmental services.
- Community Services expenses of \$483,103 comprise 7% of the total cost of services, level with the prior year, and down from the 9% two years prior. Operating contributions and grants and charges for services related to the Senior Mobility program offset over two-thirds of all Community Services program expenses this past year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At the fiscal year-end, the City's Governmental Funds reported combined fund balances of \$11,054,444, an increase of \$2,052,187 or 23% from the prior year. The General Fund comprises \$10,077,145, or 91%, of the total fund balance. The total fund balance of the City's General Fund equates to over 240% of annual General Fund expenditures. The City's General Fund unassigned fund balance of \$8,318,850 equates to over 199% of annual General Fund expenditures.

General Fund Budgetary Highlights:

Revenues: Actual total revenues of \$4,972,312 were \$339,537 or 7% higher than budgeted, primarily because all revenues, with the exception of development-related permits and fees came in over budget estimates. Local property and sales tax revenue, transient occupancy tax revenue, and fines and forfeitures were all greater than expected, but excess growth was low compared to growth experienced County-wide. Development-related permits and fees came in just slightly under budget.

Expenditures: Actual expenditures of \$4,187,588 were \$1,793,755 or 30% lower than budgeted. The primary reason was that capital outlay appropriations of \$1,049,812 for the City Hall Low Impact Development Retrofit project, included within the General Government category, were not expended during the year, with the project cancelled due to several significant challenges, including cost and disruption of City services. There were planned savings in all general government programs. As a result of budgeted savings in the General Fund, the \$219,737 in budgeted appropriations for the economic uncertainties reserve was not used and funds will be carried forward into the next fiscal year as part of unassigned fund balance.

CAPITAL ASSETS

Capital assets, net of accumulated depreciation, totaled \$35,331,456 at year-end, primarily consisting of the City's land, building, and infrastructure assets. The City restated FY 2013-14 (2014) infrastructure assets to include a \$4,689,563 capital asset contribution by the County of Orange in 2012 for Phase I of the Moulton Segment 3 Street project which was not previously reported and restated accumulated depreciation by \$508,036 to recognized depreciation expense from the date the asset was placed in service. During the fiscal year, the City added \$9,577,305 of value for new infrastructure assets and allocated \$1,641,390 of depreciation expense on capital assets, which increased accumulated depreciation to \$8,650,228 as of fiscal year-end. \$9,489,707 of the current year added value was a capital asset contribution by the County of Orange for Phase II of the Moulton Segment 3 Street project. In the current year, the City also recorded Construction in Progress, for a phase of the Moulton Parkway project from Via Campo Verde to Santa Maria Avenue. This increment of the current project phase has begun and will be fully capitalized when the project is complete or the current phase is considered placed in service. Land and Construction in Progress are not depreciated.

The Table 4a, Capital Assets at Year-End (Net of Depreciation) is presented on the following page:

Table 4a
Capital Assets at Year-End
(Net of Depreciation)

	2015	2014*
Land	\$6,916,750	\$6,916,750
Construction in Progress	80,809	-
Buildings	2,563,250	2,563,250
Building improvements	736,647	736,647
Equipment and furniture	212,231	205,442
Infrastructure	33,471,997	23,982,291
Less accumulated depreciation	(8,650,228)	(7,008,837)
Total	\$35,331,456	\$27,395,543

* FY 2013-14 (2014) has been restated to include a \$4,689,563 capital asset contribution by the County of Orange in 2012 which was not previously reported, offset by \$508,036 in accumulated depreciation on the contributed asset.

DEBT ADMINISTRATION

The City of Laguna Woods currently has no debt obligations. However, pension liabilities (reported for the first time this fiscal year per GASB 68), compensated absences and the net Other Post-Employment Benefits (OPEB) obligation are classified as long-term liabilities and totaled \$398,648, \$110,525 and \$89,340, respectively, as of fiscal year-end. The City has assigned \$110,525 of its General Fund balance to address compensated absence liabilities. The City also will be establishing an OPEB Trust with a planned funding level of 80% in FY 2015-16.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

After reporting in 2014 that the national economy continued on a steady upward path, Cal State Fullerton's Mihaylo's Woods Center for Economic Analysis (Cal State Fullerton) updated their forecast in April 2015. With a guarded outlook, they noted that while national and local growth continued, impacts of (1) a potential for a Federal Reserve increase in interest rates, (2) lower oil prices on the energy sector, and (3) the rapid rise of the U.S. dollar value on U.S. exports, all create concern and that the economy should be watched with "cautious optimism." They also reported that even though local and regional growth continues, the national concerns place some downward pressure on growth. Local growth may potentially be impacted by the statewide drought and the impending lapse of state tax cuts.

Cal State Fullerton and Chapman University economists both foresee continued positive performance in the housing market. In June 2015, Chapman University forecasted growth in median home prices in Orange County of 5.8% and 3.7% in 2015 and 2016 respectively. Consumer spending was forecasted at only moderate levels of growth.

The City's 2015-16 Budget included assumptions such as:

- Assessed property valuations in Laguna Woods are projected to increase 4.4% from Fiscal Year 2014-15 due, in part, to a healthy volume of ownership transfers in 2014 and the recapture of additional assessed property valuations that had been temporarily reduced pursuant to Proposition 8's tax relief program
- Sales tax revenue is anticipated to decrease by 1.2% due to a decline in gasoline consumption and a decrease in fuel costs, coupled with the lack of a diverse sales tax base. The City does anticipate receiving one-time revenue of \$55,000 due to the end of Proposition 57's triple flip, which temporarily modified sales tax allocations in order to allow the State of California to establish a Fiscal Recovery Fund to pay for bonds issued for deficit reduction.
- The adoption of a new fee schedule for building and planning-related permitting, plan review, and inspection services is the basis for a forecast of a 31.7% increase in development processing fee revenue.
- Interest rates are projected to increase at less than 1% in FY 2015-16, based on the expectation that the Federal Reserve will raise short-term rates by June 30, 2016 and that the City's current Investment Policy currently limits the types of investment vehicles. Updates to the current Investment Policy are not anticipated to be in place until mid-fiscal year.

Total General Fund FY 2015-16 revenues are estimated at \$4,984,000, excluding one-time sales tax revenue of \$55,000. This represents a 7.0% increase over FY 2014-15 projected revenues at April 2015. The increase primarily relates to the increase in development processing fees which offset the City's expenses for providing related services and does not represent a profit. General Fund operating expenditures are budgeted at \$4,947,176. General Fund expenditures, for the first time, exclude the Economic Uncertainties Reserve, pending review and potential amendment of existing fund balance (reserve) policies. After adding one-time non-operating expenditures and transfers to other funds, total General Fund Expenditures equal \$5,593,875. At the end of FY 2015-16, the General Fund unassigned fund balance is forecast to be at least 149% of FY 2014-15 General Fund operating expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Laguna Woods citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, you may contact the City of Laguna Woods, Administrative Services Department, 24264 El Toro Road, Laguna Woods, California 92637, call (949) 639-0500, or email cityhall@cityoflagunawoods.org.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF LAGUNA WOODS
STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS:	
Cash and investments	\$ 10,886,842
Receivables	241,183
Due from other governments	645,286
Prepaid items	30,391
Capital assets:	
Not being depreciated	6,997,559
Being depreciated (net of accumulated depreciation)	<u>28,333,897</u>
Total assets	<u>47,135,158</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount from pension plans	<u>79,169</u>
Total deferred outflows of resources	<u>79,169</u>
LIABILITIES:	
Accounts payable	187,362
Accrued liabilities	94,658
Long-term liabilities:	
Net pension liability	398,648
Due within one year	48,517
Due in more than one year	<u>151,348</u>
Total liabilities	<u>880,533</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amount from pension plans	<u>138,445</u>
Total deferred inflows of resources	<u>138,445</u>
NET POSITION:	
Investment in capital assets	35,331,456
Restricted for:	
Public safety	35,006
Public works	1,220,012
Community development	190,272
Community services	18,924
Unrestricted	<u>9,399,679</u>
Total net position	<u><u>\$ 46,195,349</u></u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA WOODS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,378,555	\$ 150,814	\$ -	\$ -
Public safety	1,623,288	25,810	196,089	-
Public works	2,588,172	699,984	772,093	10,376,299
Community development	965,458	-	71,572	-
Community services	483,103	-	379,453	-
Total governmental activities	\$ 7,038,576	\$ 876,608	\$ 1,419,207	\$ 10,376,299

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Property taxes in lieu of vehicle license fees

Investment income

Miscellaneous

Total general revenues

Change in net position

Net Position:

Beginning of year, as originally reported

Prior period adjustments

Beginning of year, as restated

End of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities</u>
\$ (1,227,741)
(1,401,389)
9,260,204
(893,886)
(103,650)
<u>5,633,538</u>

308,786
908,621
452,293
604,739
1,803,982
26,810
<u>102,609</u>

4,207,840

9,841,378

32,638,712
<u>3,715,259</u>

36,353,971

\$ 46,195,349

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FUND FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

		Special Revenue Funds	
	General	Measure M	Proposition 1B- State and Local Partnership Program
ASSETS			
Cash and investments	\$ 9,386,692	\$ -	\$ -
Receivable:			
Accounts	137,816	-	-
Deposits	102,609	-	-
Prepaid items	29,297	1,094	-
Due from other funds	550,289	-	-
Due from other governments	216,900	34,887	293,000
Total assets	\$ 10,423,603	\$ 35,981	\$ 293,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 142,180	\$ 14,995	\$ -
Accrued liabilities	94,658	-	-
Due to other funds	-	211,267	293,000
Total liabilities	236,838	226,262	293,000
Deferred Inflows of Resources:			
Unavailable revenues	109,620	-	293,000
Total deferred inflows of resources	109,620	-	293,000
Fund Balances (Deficits):			
Nonspendable:			
Prepaid items	29,297	1,094	-
Restricted for:			
Public works	-	-	-
Community development	-	-	-
Community services	-	-	-
Public safety	-	-	-
Assigned to:			
Capital projects	1,118,472	-	-
Compensated absences	110,526	-	-
Self insurance contingencies	500,000	-	-
Unassigned	8,318,850	(191,375)	(293,000)
Total fund balances (deficits)	10,077,145	(190,281)	(293,000)
Total liabilities, deferred inflows of resources and fund balances	\$ 10,423,603	\$ 35,981	\$ 293,000

See accompanying notes to basic financial statements

Special Revenue Funds (Continued)		
Traffic Mitigation Fees	Other Governmental Funds	Total Governmental Funds
\$ 489,141	\$ 1,011,009	\$ 10,886,842
-	758	138,574
-	-	102,609
-	-	30,391
-	-	550,289
298	100,201	645,286
<u>\$ 489,439</u>	<u>\$ 1,111,968</u>	<u>\$ 12,353,991</u>
\$ 122	\$ 30,065	\$ 187,362
-	-	94,658
11,072	34,950	550,289
<u>11,194</u>	<u>65,015</u>	<u>832,309</u>
-	64,618	467,238
-	64,618	467,238
-	-	30,391
478,245	741,767	1,220,012
-	147,078	147,078
-	62,118	62,118
-	35,006	35,006
-	-	1,118,472
-	-	110,526
-	-	500,000
-	(3,634)	7,830,841
<u>478,245</u>	<u>982,335</u>	<u>11,054,444</u>
<u>\$ 489,439</u>	<u>\$ 1,111,968</u>	<u>\$ 12,353,991</u>

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CITY OF LAGUNA WOODS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2015

Fund balances - total governmental funds	\$ 11,054,444
--	---------------

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

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in the governmental funds balance sheet.

Capital assets	\$ 43,981,684	
Accumulated depreciation	<u>(8,650,228)</u>	
		35,331,456

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, both current and long-term, are reported in the Statement of Net
Position. Balances as of June 30, 2015 are:

Compensated absences	(110,525)	
OPEB obligation	<u>(89,340)</u>	
		(199,865)

Pension related debt applicable to the City's governmental activities are not due and
payable in the current period and accordingly are not reported as fund liabilities.
Deferred outflows of resources and deferred inflows of resources related to pensions
are only reported in the Statement of Net Position as the changes in these amounts
effects only the government-wide statements for governmental activities:

Deferred outflows of resources	79,169	
Deferred inflows of resources	(138,445)	
Pension liability	<u>(398,648)</u>	
		(457,924)

Long-term assets are not available to pay for current period expenditures and,
therefore, are reported as deferred inflows of resources in the fund financial statements.

<u>467,238</u>

Net position of governmental activities

<u><u>\$ 46,195,349</u></u>

See accompanying notes to basic financial statements

CITY OF LAGUNA WOODS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

		Special Revenue Funds	
	General	Measure M	Proposition 1B- State and Local Partnership Program
REVENUES:			
Taxes and assessments	\$ 3,469,181	\$ -	\$ -
Intergovernmental	-	413,352	-
Franchise fees	604,739	-	-
Charges for services	699,984	-	-
Fines and forfeitures	25,810	-	-
Investment income	21,785	26	-
Miscellaneous	150,814	-	-
Total revenues	<u>4,972,313</u>	<u>413,378</u>	<u>-</u>
EXPENDITURES:			
Current:			
General government	1,259,342	-	-
Public safety	1,502,869	-	-
Public works	356,135	181,148	-
Community development	949,254	-	-
Community services	119,988	-	-
Total expenditures	<u>4,187,588</u>	<u>181,148</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>784,725</u>	<u>232,230</u>	<u>-</u>
FUND BALANCES (DEFICITS):			
Beginning of year, as originally reported	9,392,501	(422,511)	(293,000)
Prior period adjustment	(100,081)	-	-
Beginning of year, as restated	<u>9,292,420</u>	<u>(422,511)</u>	<u>(293,000)</u>
End of year	<u>\$ 10,077,145</u>	<u>\$ (190,281)</u>	<u>\$ (293,000)</u>

See accompanying notes to basic financial statements

Special Revenue
Funds (Continued)

Traffic Mitigation Fees	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 536,319	\$ 4,005,500
709,014	647,114	1,769,480
-	-	604,739
-	-	699,984
-	-	25,810
515	1,974	24,300
-	-	150,814
<u>709,529</u>	<u>1,185,407</u>	<u>7,280,627</u>
-	-	1,259,342
-	135,037	1,637,906
80,809	266,924	885,016
-	16,204	965,458
-	360,730	480,718
<u>80,809</u>	<u>778,895</u>	<u>5,228,440</u>
<u>628,720</u>	<u>406,512</u>	<u>2,052,187</u>
(150,475)	485,924	9,012,439
-	89,899	(10,182)
<u>(150,475)</u>	<u>575,823</u>	<u>9,002,257</u>
<u>\$ 478,245</u>	<u>\$ 982,335</u>	<u>\$ 11,054,444</u>

CITY OF LAGUNA WOODS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 2,052,187

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 cost of those assets is allocated over
the estimated useful lives as depreciation expense. This is the amount
by which capital outlays and capital contributions exceed depreciation
in the current period.

Capital asset purchases	\$ 87,598	
Depreciation expense	(1,641,391)	
Net capital assets contributed by County of Orange	<u>9,489,706</u>	7,935,913

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

Compensated absences	(11,263)	
OPEB expense	<u>(19,700)</u>	(30,963)

Pension expense reported in the governmental funds includes the annual required
contributions. In the Statement of Activities, pension expense includes the change
in the net pension liability, and related change in pension amounts for deferred
outflows of resources and deferred inflows of resources.

(1,838)

Certain revenues in the governmental funds are unavailable revenues
because they are not collected within the prescribed time period after year-end.
However, the revenues are included in the government-wide statements.

(113,921)

Change in net position of governmental activities

\$ 9,841,378

See accompanying notes to basic financial statements

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies

The accounting policies of the City of Laguna Woods (the City) conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(a) Reporting Entity

The City of Laguna Woods was incorporated March 24, 1999 under the laws of the State of California and enjoys all rights and privileges pertaining to “General Law” cities. The City operates under the Council-Manager form of government and currently provides the following services as authorized by its general laws: public safety, public works, community development, community services and general administrative services.

(b) Basis of Accounting, Measurement Focus and Financial Statement Presentation

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

- a. Government-wide financial statements
- b. Fund financial statements
- c. Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements including the Codification of Accounting and Financial Reporting Guidelines.

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These statements include a single column for the governmental activities of the primary government. The City of Laguna Woods has no business-type activities, and no discretely presented component units. 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*.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange like transactions are recognized when the exchange takes place.

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

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

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, deferred outflows of resources, liabilities, deferred inflows of 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 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 funds.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

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. The City uses an availability period of 60 days. Sales taxes, property taxes, franchise taxes, gas taxes, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed 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. Revenues, expenditures, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within their availability period of 60 days after the fiscal year ends to meet the “available” criteria of revenue recognition.

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”.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

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.

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 *another financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

(c) Fund Classifications

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. The General Fund accounts for activities and services traditionally associated with governments such as police services that are financed primarily through tax-generated revenues and not required to be accounted for in another fund.

Measure M Special Revenue Fund

The Measure M Special Revenue Fund is used to account for the City's share of an additional one-half percent sales tax approved by the Orange County electorate and collected by the Orange County Transportation Authority for the improvement and maintenance of local streets and roads.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications (Continued)

Proposition 1B-State Local Partnership Program Special Revenue Fund

The Proposition 1B-State and Local Partnership Program Special Revenue Fund is used to account for highway safety, traffic reduction, and air quality projects as approved by voters as Proposition 1B.

Traffic Mitigation Fees Special Revenue Fund

The Traffic Mitigation Fees Special Revenue Fund is used to account for receipts from the County of Orange and expenditures for programs and projects related to traffic mitigation.

(d) Cash and Investments

Investments are reported in the accompanying statement of net position and governmental funds balance sheet at fair value. 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 and changes in fair value. The City pools cash and investments of all funds. 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, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the General Fund, as provided by California Government Code Section 53647.

(e) Capital Assets

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 market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more. It is the policy of the City to capitalize infrastructure projects in excess of \$100,000 if they constitute infrastructure and have extended the useful life of the assets by 20 years or longer. Capital assets include public domain (infrastructure) general capital assets consisting of roads, streets, sidewalks, medians, and storm drains.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(e) Capital Assets (Continued)

The City uses the straight-line method in the government-wide financial statements for depreciating infrastructure, park equipment, buildings, vehicles, equipment and furniture, and leasehold improvements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The range of useful lives used for depreciation purposes for each capital asset class are as follows:

<u>Item</u>	<u>Useful Life</u>
Building	35 years
Building improvements	8-9 years
Equipment and furniture	5 years
Infrastructure	20 years

(f) Due from Other Governments

The amounts recorded as due from other governments represent sales taxes, gas taxes, motor vehicle in-lieu, Measure M revenue, and reimbursement grant revenues and other revenues collected or provided by Federal, State and County governments that were unremitted to the City as of June 30. The County of Orange assesses, bills, and collects property taxes for the City.

(g) Compensated Absences

Permanent, full-time City employees earn 20 paid leave days a year, which includes vacations and sick time. In governmental funds, compensated absences are recorded as expenditures in the year paid, and it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources. Compensated absences are liquidated from the General Fund.

(h) Claims and Judgments

The City records a liability for material litigation, judgments, and claims (including incurred but not reported losses) when it is probable that an asset has been significantly impaired or a material liability has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(i) Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City recognizes as revenue only those taxes which are received during the year and within 60 days after year end.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 11 Second Installment - April 11

Taxes are collected by the County of Orange and are remitted to the City periodically. Dates and percentages are as follows:

December	30% advance
January	Collection No. 1
April	10% advance
May	Collection No. 2
July	Collection No. 3

(j) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and 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, during the reporting period. Actual results could differ from those estimates.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(k) New Accounting Pronouncements

Current Year Standards

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *“Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27”* and GASB Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68”*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by \$456,086.

GASB Statement No. 69 - *“Government Combinations and Disposals of Government Operations”* was required to be implemented in the current fiscal year and did not impact the City.

Pending Accounting Standards

GASB has issued the following statements which may impact the City’s financial reporting requirements in the future.

- GASB 72 - *“Fair Value Measurement and Application”*, effective for periods beginning after June 15, 2015.
- GASB 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 76 - *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, effective for periods beginning after June 15, 2015.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(I) Fund Balance and Spending Policy

The City follows the provisions of Statement on Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which enhances 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. In the Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in a spendable form, such as prepaid items and inventories, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributions, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources that are neither restricted nor committed. Assignment of resources can be done by the highest level of decision making (City Council Resolution) or by a committee or official designated for that purpose. The City Council has authorized the City Manager to assign fund balance for specific departmental projects.

Unassigned - This category is for any balances that have no restrictions placed upon them.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(m) Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow or resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. That item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item, which arises only under a modified accrual basis of accounting, is unavailable revenues, which is reported only in the balance sheet of governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The third item is a deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

(n) Net Position

In the Government-Wide Financial Statements, net position is classified in the following categories: *Net Investment in Capital Assets*, which consists of capital assets net of accumulated depreciation and is reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets; *Restricted Net position*, which is net position restricted by external creditors, grantors, contributors, laws or regulations of other governments; and *Unrestricted Net Position*, which is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(o) Pensions

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

(2) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statements of Net position:

Cash and investments	<u>\$ 10,886,842</u>
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Cash and investments held by the City at June 30, 2015 consisted of the following:

Petty Cash	\$ 1,000
Demand Deposits	308,126
State Treasurer's Investment Pool (LAIF)	10,577,716
Total cash and investments held by City	\$ 10,886,842

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(2) Cash and Investments, (Continued)Investments Authorized by the California Government Code and the City's Investment Policy

The following table identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Investment Types Authorized by State Law	Authorized by Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	5%
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	No	180 days	40%	5%
Commercial Paper	No	180 days	15%	5%
Negotiable Certificates of Deposit	No	5 years	30%	5%
Repurchase Agreements	No	1 year	None	5%
Reverse Repurchase Agreements	No	92 days	20% of base value	5%
Medium-Term Notes	No	5 years	30%	5%
Mutual Funds	No	N/A	20%	5%
Money Market Mutual Funds	No	N/A	20%	5%
Mortgage Pass-Through Securities	No	5 years	20%	5%
County Pooled Investment Fund	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (Other Investment Pools)	No	N/A	None	None
*Based on state law requirements or investment policy requirements, whichever is more restrictive.				

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(2) Cash and Investments, (Continued)

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

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by the City's investment policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

Investments Authorized by Debt Agreements

As of June 30, 2015, the City had no investments from debt proceeds held by bond trustees.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25-60 Months	More than 60 Months	
Local Agency Investment Fund (LAIF)	\$ 10,577,716	-	-	-	\$ 10,577,716

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

During the fiscal year ended June 30, 2015, the City did not hold any investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Minimum Legal Rating	Not Rated
State investment pool	N/A	\$ 10,577,716

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During the fiscal year ended June 30, 2015, the City did not hold any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, the City did not have any deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(2) Cash and Investments, (Continued)

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City of Laguna Woods' investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Laguna Wood's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on amortized cost basis. LAIF is not rated.

(3) Interfund Transactions

Due to/Due from Other Funds

Current interfund receivables and payables balances at June 30, 2015 are as follows:

Receivable Fund	Payable Fund	Amount (a)
General Fund	Measure M Special Revenue Fund	\$ 211,267
	Proposition 1B – State and Local Partnership Special Revenue Fund	293,000
	Traffic Mitigation Fees Special Revenue Fund	11,072
	Other Governmental Funds	34,950
	Total Interfund Receivables and Payables	\$ 550,289
	Total General Fund	\$ 550,289
(a) The amounts owed represent short-term borrowings to manage cash flows		

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(4) Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities:	Balance at June 30, 2014 (a)	Additions	Deletions	Balance at June 30, 2015
Capital assets not being depreciated:				
Land	\$ 6,916,750	\$ -	\$ -	\$ 6,916,750
Construction in Progress	-	80,809	-	80,809
Total capital assets not being depreciated	\$ 6,916,750	\$ 80,809	\$ -	\$ 6,997,559
Capital assets being depreciated:				
Building	\$ 2,563,250	\$ -	\$ -	\$ 2,563,250
Building improvements	736,647	-	-	736,647
Furniture and equipment	205,442	6,789	-	212,231
Infrastructure (a)	23,982,291	9,489,706	-	33,471,997
Total capital assets being depreciated	\$ 27,487,630	\$ 9,496,495	\$ -	\$ 36,984,125
Less accumulated depreciation for:				
Building	\$ 292,944	\$ 73,235	\$ -	\$ 366,179
Building improvements	714,768	6,174	-	720,942
Furniture and equipment	188,850	7,707	-	196,557
Infrastructure (a)	5,812,275	1,554,275	-	7,366,550
Total accumulated depreciation	\$ 7,008,837	\$ 1,641,391	\$ -	\$ 8,650,228
Net total capital assets being depreciated	\$ 20,478,793	\$ 7,855,104	\$ -	\$ 28,333,897
Total capital assets, net of accumulated depreciation	\$ 27,395,543	\$ 7,935,913	\$ -	\$ 35,331,456
Note (a) - Infrastructure at June 30, 2014, includes \$4,689,563 in capital costs and \$508,036 in accumulated depreciation for contributed assets put in service in 2012 not previously recorded. See Note 13 for additional disclosure.				

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(4) Capital Assets, (Continued)

Depreciation expense was charged to functions as follows:

General government	\$ 86,412
Public works	1,554,979
Total	\$ 1,641,391

Construction commitments at year-end were as follows:

	Spent-to-date	Remaining Commitment
Dairy Fork Constructed Wetland	\$ 16,863	\$ 43,093

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 were as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 99,262	\$ 52,953	(\$ 41,690)	\$ 110,525	\$ 46,419
OPEB obligation	69,640	21,798	(2,098)	89,340	2,098
Total Long-Term Liabilities	\$ 168,902	\$ 74,751	(\$ 43,788)	\$ 199,865	\$ 48,517

(6) Other Required Disclosures

The following funds had deficit fund balances as of June 30, 2015:

Major Special Revenue Funds:

Measure M	\$ 190,281 (a)
Proposition 1B-State and Local Partnership	293,000 (a)

Nonmajor Special Revenue Funds:

Community Development Block Grant	3,634 (b)
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(a) The deficit fund balance represents costs incurred for restricted long-term capital projects. Such costs are to be reimbursed by a granting agency in the subsequent period.

(b) The deficit fund balance is expected to be remedied by future revenues.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(7) Risk Management

(a) Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

(b) Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(7) Risk Management, (Continued)

(b) Self-Insurance Programs of the Authority

Liability

In the liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(7) Risk Management, (Continued)

(b) Self-Insurance Programs of the Authority (Continued)

Workers' Compensation (Continued)

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

(c) Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City's property currently has all-risk property insurance protection in the amount of \$4,342,109. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(7) Risk Management, (Continued)

(c) Purchased Insurance, (Continued)

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City's property currently has earthquake protection in the amount of \$4,313,684. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

(d) Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2014-15.

There were no significant claims payable at June 30, 2015 and at June 30, 2014.

(8) Joint Venture

Orange County Fire Authority

In 1999, the City entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Aliso Viejo, Rancho Santa Margarita, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, Westminster and Yorba Linda and the County of Orange to create the Orange County Fire Authority (Authority). 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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(8) Joint Venture, (Continued)

Orange County Fire Authority (Continued)

The operations of the Authority are funded with 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, Westminster, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Westminster, Buena Park, Placentia and Seal Beach are considered “cash contract Cities” and accordingly make cash contributions based on the Authority’s annual budget. The City does not have an equity interest in the assets of the Orange County Fire Authority.

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

(9) Defined Benefit Pension Plan

(a) General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(9) Defined Benefit Pension Plan, (Continued)

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

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.0%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	N/A
Required employer contribution rates	12.362%	N/A

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(9) Defined Benefit Pension Plan, (Continued)

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 398,648</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous
Proportion - June 30, 2013	0.01662%
Proportion - June 30, 2014	0.01613%
Change - Increase (Decrease)	-0.00049%

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(9) Defined Benefit Pension Plan, (Continued)(b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the City recognized pension expense of \$81,004. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 79,169	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(4,481)
Net differences between projected and actual earnings on plan investments	-	(133,964)
Total	<u>\$ 79,169</u>	<u>\$ (138,445)</u>

\$79,169 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (35,092)
2017	(35,092)
2018	(34,774)
2019	(33,487)
2020	-
Thereafter	-

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(9) Defined Benefit Pension Plan, (Continued)

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

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

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds.

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(9) Defined Benefit Pension Plan, (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

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

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(9) Defined Benefit Pension Plan, (Continued)(b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**Discount Rate (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

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

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

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(9) Defined Benefit Pension Plan, (Continued)

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	\$ 710,446
Current Discount Rate	7.50%
Net Pension Liability	\$ 398,648
1% Increase	8.50%
Net Pension Liability	\$ 140,033

Pension Plans Fiduciary Net Position

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

(c) Payable to the Pension Plans

At June 30, 2015, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(10) Other Post-Employment Benefits (OPEB)

Plan Description: The City provides retiree medical benefits under the Public Employees' Medical and Hospital Care Act "PEMHCA", which provides access to group health insurance to eligible retirees and their spouses in accordance with PEMHCA.

Eligibility: Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), are eligible for a PERS pension and have worked for the City for a minimum of 10 years. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 10 eligible active employees and 2 enrolled eligible retirees at June 30, 2015. These amounts do not reflect current retirees not enrolled in the PERS health plan who are eligible to enroll in the plan at a later date.

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by the City and the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2015, the City contributed \$2,098 to the plan.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Annual Required Contribution (ARC) for the fiscal year ended June 30, 2015, was \$13,267. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$ 13,267
Interest on net OPEB obligation	4,178
Adjustments to annual required contributions	4,353
Annual OPEB cost (expense)	21,798
Contributions made (including premiums paid)	(2,098)
Increase in net OPEB obligation	19,700
Net OPEB obligation-beginning of year	69,640
Net OPEB obligation-end of year	<u>\$ 89,340</u>

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(10) Other Post-Employment Benefits (OPEB), (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year	Actual Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$ 673	\$ 12,638	5.35%	\$ 59,532
6/30/14	2,471	12,579	19.64%	69,640
6/30/15	2,098	21,798	9.62%	89,340

Funded Status and Funding Progress: The funded status of the plan as of the most recent calculation (June 30, 2013), was as follows:

Actuarial accrued liability (AAL)	\$106,255
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$106,255</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	<u>\$559,977</u>
UAAL as a percentage of covered payroll	<u>18.97%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2015

(10) Other Post-Employment Benefits (OPEB), (Continued)

Actuarial Methods and Assumptions: The City utilizes the Alternative Measurement Method for the plan's actuarial valuations. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. The plan assumes increases in the City's minimum employer contribution of 10%-12% through the year 2020, and a 3% annual increase thereafter, as well as a 3% inflation rate.

The actuarial cost method used for determining the benefit obligations is the projected unit credit method. The actuarial assumptions included a 3% percent discount rate. The UAAL is being amortized (using a closed amortization period) as a level percentage of projected payroll over 16 years. It is assumed the City's payroll will increase 3.30% per year.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(11) Non-spendable, Restricted, Committed and Assigned Fund Balance

Non-spendable, restricted, committed, and assigned fund balance segregate portions of fund balance that are not available expendable resources. See the governmental fund balance sheet as of June 30, 2015 for the various classifications of fund balance.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(12) Individual Fund Disclosures

Deficit Fund Balances

For the year ended June 30, 2015, the following funds had deficit fund balances:

Major Funds:

Measure M Special Revenue Fund	\$ (190,281)
Proposition 1B-State and Local Partnership Program Special Revenue Fund	(293,000)
Other Governmental Fund: CDBG Special Revenue Fund	(3,634)

The deficit fund balances are expected to be corrected by future tax revenues and receipt of amounts due from other governments.

(13) Contingencies

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the City for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

(14) Restatement of Net Position and Fund Balances

Net Position Restatement

Restatement of the Governmental Activities net position as of July 1, 2014 is as follows:

	<u>Governmental Activities</u>
Net position at July 1, 2014, as originally reported	\$ 32,638,712
To report pension liability for the implementation of GASB Statements 68 and 71	(456,086)
To report capital assets contributed from County of Orange in prior years	4,181,527
To adjust for restatements reported in fund financial statements	<u>(10,182)</u>
Net position at July 1, 2014, as restated	<u>\$ 36,353,971</u>

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2015

(14) Restatement of Net Position and Fund Balances, (Continued)

Fund Balances Restatement

The accompanying financial statements include adjustments that resulted in the restatements of beginning fund balances/net position. The following summarizes the effect of the prior period adjustments to beginning fund balances as of July 1, 2014:

	General Fund	Nonmajor Special Revenue Funds
Fund balance – beginning of year, as previously reported	\$9,392,501	\$485,924
To adjust for accounts receivable not recorded in prior year	59,050	872
To adjust for accounts payable not reversed in prior year	(67,786)	(2,318)
To adjust for special revenue funds classified as general fund in the prior year	(114,723)	114,723
To adjust for transactions between general fund and special revenue funds not recorded in prior years	23,378	(23,378)
Fund balance – beginning of year, as restated	\$9,292,420	\$575,823

(15) Subsequent Events

Management has evaluated subsequent events through November 23, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA WOODS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

June 30, 2015

Last Ten Fiscal Years*

	<u>2015</u>
Plan's proportion of the net pension liability	0.00641%
Plan's proportionate share of the net pension liability	\$ 398,648
Plan's covered - employee payroll	\$ 825,725
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	48.28%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 52,739

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF LAGUNA WOODS
SCHEDULE OF CONTRIBUTIONS

For the year ended June 30, 2015

Last Ten Fiscal Years*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 79,169
Contributions in relation to the actuarially determined contributions	<u>(79,169)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 716,484
Contributions as a percentage of covered - employee payroll	11.05%

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years as of the valuation date
Asset valuation method	Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years 2% @55 and 52 years 2% @62
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF LAGUNA WOODS

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2015

OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
06/30/10	\$ -	\$ 86,727	\$ 86,724	0.00%	\$ 516,518	16.79%
06/30/13	-	106,225	106,225	0.00%	559,977	18.97%

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the primary operating fund of the City. The General Fund accounts for activities and services traditionally associated with governments such as law enforcement services. The General Fund is used to account for revenue sources that are not legally restricted to expenditures for specified purposes, which are financed primarily through tax-generated revenues and not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The following funds have been classified as major funds. The budget-actual comparison for these funds have been presented in the accompanying financial statements as Required Supplementary Information:

Measure M Fund - is used to account for the City's share of an additional one-half percent sales tax approved by the Orange County electorate and collected by the Orange County Transportation Authority for the improvement and maintenance of local streets and roads.

Proposition 1B-State and Local Partnership Program Fund - is used to account for highway safety, traffic reduction, and air quality projects as approved by voters as Proposition 1B.

Traffic Mitigation Fees Fund - is used to account for receipts from the County of Orange and expenditures for programs and projects related to traffic mitigation.

CITY OF LAGUNA WOODS

BUDGETARY COMPARISON SHCHEDULE
GENERAL FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property tax	\$ 1,891,600	\$ 1,891,600	\$ 2,019,910	\$ 128,310
Property transfer tax	83,900	83,900	88,357	4,457
Sales tax	891,000	891,000	908,621	17,621
Transient occupancy tax	406,200	406,200	452,293	46,093
Franchise fee	638,600	638,600	604,739	(33,861)
Charges for services	511,600	511,600	699,984	188,384
Fines and forfeitures	30,000	30,000	25,810	(4,190)
Investment income	25,400	25,400	21,785	(3,615)
Miscellaneous	154,476	154,476	150,814	(3,662)
Total revenues	<u>4,632,776</u>	<u>4,632,776</u>	<u>4,972,313</u>	<u>339,537</u>
EXPENDITURES:				
Current:				
City council	49,750	26,250	24,684	1,566
Administrative services	680,930	734,791	577,874	156,917
General government	826,854	725,914	656,784	69,130
Public safety	1,543,765	1,540,554	1,502,869	37,685
Public works	348,857	384,724	356,135	28,589
Community development	2,141,301	2,138,733	949,254	1,189,479
Community services	169,850	210,640	119,988	90,652
Economic uncertainties reserve	219,737	219,737	-	219,737
Total expenditures	<u>5,981,044</u>	<u>5,981,343</u>	<u>4,187,588</u>	<u>1,793,755</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,348,268)</u>	<u>(1,348,567)</u>	<u>784,725</u>	<u>2,133,292</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,368,268)</u>	<u>\$ (1,368,567)</u>	<u>784,725</u>	<u>\$ 2,153,292</u>
FUND BALANCE:				
Beginning of year, as originally reported			9,392,501	
Prior period adjustment			<u>(100,081)</u>	
Beginning of year, as restated			<u>9,292,420</u>	
End of year			<u>\$ 10,077,145</u>	

CITY OF LAGUNA WOODS

BUDGETARY COMPARISON SHCEDULE
MEASURE M SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,301,860	\$ 1,301,860	\$ 413,352	\$ (888,508)
Investment income	-	-	26	26
Total revenues	<u>1,301,860</u>	<u>1,301,860</u>	<u>413,378</u>	<u>(888,482)</u>
EXPENDITURES:				
Current:				
Public works	<u>1,301,860</u>	<u>1,390,481</u>	<u>181,148</u>	<u>1,209,333</u>
Total expenditures	<u>1,301,860</u>	<u>1,390,481</u>	<u>181,148</u>	<u>1,209,333</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (88,621)</u>	232,230	<u>\$ 320,851</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(422,511)</u>	
End of year			<u>\$ (190,281)</u>	

CITY OF LAGUNA WOODS

BUDGETARY COMPARISON SHCHEDULE
TRAFFIC MITIGATION FEES SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 405,000	405,000	\$ 709,014	\$ 304,014
Investment income	-	-	515	515
Total revenues	<u>405,000</u>	<u>405,000</u>	<u>709,529</u>	<u>304,529</u>
EXPENDITURES:				
Current:				
Public works	<u>405,000</u>	<u>405,000</u>	<u>80,809</u>	<u>324,191</u>
Total expenditures	<u>405,000</u>	<u>405,000</u>	<u>80,809</u>	<u>324,191</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	628,720	<u>\$ 628,720</u>
FUND BALANCE:				
Beginning of year			<u>(150,475)</u>	
End of year			<u><u>\$ 478,245</u></u>	

CITY OF LAGUNA WOODS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

(1) Budgetary Policy

The City Manager shall prepare and submit the proposed annual budget for all governmental funds to the City Council for its approval. The City Council reviews the proposed budget during a series of public meetings. The budget is legally enacted by means of a budget resolution passed by the City Council prior to July 1st of each year. Upon final adoption, the budget shall be in effect for the ensuing fiscal year.

The level of budgetary control (this is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. City Council approval is required for any budget revisions that increase total appropriations for a fund.

Appropriations lapse at the end of the fiscal year except (1) unexpended appropriations for projects completed or underway at the end of the fiscal year as recommended by the City Manager and approved by the City Council, and (2) unexpended appropriations for capital improvement projects.

Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year. During the year, there were two supplemental appropriations approved by the City Council totaling \$41,961, and capital project budget carryovers totaling \$1,114,719.

The Proposition 1B - State and Local Partnership Program Special Revenue Fund did not have an adopted budget during the current fiscal year.

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SUPPLEMENTARY INFORMATION

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OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The following Special Revenue funds have been classified as non-major funds in the accompanying financial statements:

Gas Tax Fund - is used to account for the City's share of the motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 2103, 2105, 2106, 2107 and 2107.5 which are legally restricted for the acquisition, construction, improvement and maintenance of public streets.

Supplemental Law Enforcement Program Fund - is used to account for the receipts and expenditures from the State of California's Citizens Option for Public Safety (COPS) program.

Air Quality Improvement Fund - is used to account for funds received from the South Coast Air Quality Management District for enacting policies to improve air quality.

Senior Mobility Fund - is used to account for receipts from the Orange County Transportation Authority and expenditures for demand-responsive transportation services for seniors aged 60 and older.

Community Development Block Grant Fund - is used to account for the receipts and expenditures of the U.S. Housing and Urban Development- Community Development Block Grant Programs.

PEG/Cable Television Fund is used to account for funds received and expenditures related to maintenance and the purchase of equipment necessary for the operation of public, educational, and governmental access (PEG) channels and cable access to PEG channels within the City's jurisdiction.

Grants Fund - is used to account for revenues received under Federal, State and local grants.

CITY OF LAGUNA WOODS

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue Funds			
	Gas Tax	Supplemental Law Enforcement Program	Air Quality Improvement	Senior Mobility
ASSETS				
Cash and investments	\$ 601,029	\$ -	\$ 87,597	\$ 25,753
Receivables:				
Accounts	-	-	-	-
Due from other governments	361	14,637	5,454	63,988
Total assets	\$ 601,390	\$ 14,637	\$ 93,051	\$ 89,741
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,248	\$ -	\$ -	\$ 20,817
Due to other funds	-	-	-	-
Total liabilities	9,248	-	-	20,817
Deferred Inflows of Resources:				
Unavailable revenues	-	14,618	-	50,000
Total deferred inflows of resources	-	14,618	-	50,000
Fund Balances (Deficit):				
Restricted for:				
Public works	592,142	-	-	-
Community development	-	-	93,051	-
Community services	-	-	-	18,924
Public safety	-	19	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	592,142	19	93,051	18,924
Total liabilities, deferred inflows of resources and fund balances	\$ 601,390	\$ 14,637	\$ 93,051	\$ 89,741

Special Revenue Funds (Continued)					
CDBG	PEG/Cable Television	Grants	Seatbelt Safety Enforcement	Emergency Management	Total Other Governmental Funds
\$ -	\$ 42,409	\$ 254,221	\$ -	\$ -	\$ 1,011,009
-	758	-	-	-	758
2,765	27	12,969	-	-	100,201
<u>\$ 2,765</u>	<u>\$ 43,194</u>	<u>\$ 267,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,968</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,065
6,399	-	28,551	-	-	34,950
<u>6,399</u>	<u>-</u>	<u>28,551</u>	<u>-</u>	<u>-</u>	<u>65,015</u>
-	-	-	-	-	64,618
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,618</u>
-	-	149,625	-	-	741,767
-	-	54,027	-	-	147,078
-	43,194	-	-	-	62,118
-	-	34,987	-	-	35,006
(3,634)	-	-	-	-	(3,634)
<u>(3,634)</u>	<u>43,194</u>	<u>238,639</u>	<u>-</u>	<u>-</u>	<u>982,335</u>
<u>\$ 2,765</u>	<u>\$ 43,194</u>	<u>\$ 267,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,968</u>

CITY OF LAGUNA WOODS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	Special Revenue Funds			
	Gas Tax	Supplemental Law Enforcement Program	Air Quality Improvement	Senior Mobility
REVENUES:				
Taxes and assessments	\$ 536,319	\$ -	\$ -	\$ -
Intergovernmental	-	103,053	20,572	229,374
Investment income	1,099	11	181	79
Total revenues	<u>537,418</u>	<u>103,064</u>	<u>20,753</u>	<u>229,453</u>
EXPENDITURES:				
Current:				
Public safety	-	112,226	-	-
Public works	266,924	-	-	-
Community development	-	-	-	-
Community services	-	-	-	221,460
Total expenditures	<u>266,924</u>	<u>112,226</u>	<u>-</u>	<u>221,460</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>270,494</u>	<u>(9,162)</u>	<u>20,753</u>	<u>7,993</u>
FUND BALANCES (DEFICITS):				
Beginning of year, as originally reported	323,966	9,181	72,298	(72,362)
Prior period adjustment	(2,318)	-	-	83,293
Beginning of year, as restated	<u>321,648</u>	<u>9,181</u>	<u>72,298</u>	<u>10,931</u>
End of year	<u>\$ 592,142</u>	<u>\$ 19</u>	<u>\$ 93,051</u>	<u>\$ 18,924</u>

Special Revenue Funds (Continued)

CDBG	PEG/Cable Television	Grants	Seatbelt Saftey Enforcement	Emergency Management	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 536,319
136,815	13,264	144,036	-	-	647,114
-	85	519	-	-	1,974
136,815	13,349	144,555	-	-	1,185,407
-	-	22,811	-	-	135,037
-	-	-	-	-	266,924
-	-	16,204	-	-	16,204
136,815	2,455	-	-	-	360,730
136,815	2,455	39,015	-	-	778,895
-	10,894	105,540	-	-	406,512
(3,634)	-	137,745	1,504	17,226	485,924
-	32,300	(4,646)	(1,504)	(17,226)	89,899
(3,634)	32,300	133,099	-	-	575,823
\$ (3,634)	\$ 43,194	\$ 238,639	\$ -	\$ -	\$ 982,335

CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 475,000	\$ 475,000	\$ 536,319	\$ 61,319
Investment income	-	-	1,099	1,099
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>537,418</u>	<u>62,418</u>
EXPENDITURES:				
Current:				
Public works	<u>334,200</u>	<u>337,100</u>	<u>266,924</u>	<u>70,176</u>
Total expenditures	<u>334,200</u>	<u>337,100</u>	<u>266,924</u>	<u>70,176</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 140,800</u>	<u>\$ 137,900</u>	<u>270,494</u>	<u>\$ 132,594</u>
FUND BALANCE:				
Beginning of year, as originally reported			323,966	
Prior period adjustment			<u>(2,318)</u>	
Beginning of year, as restated			<u>321,648</u>	
End of year			<u>\$ 592,142</u>	

CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SUPPLEMENTAL LAW ENFORCEMENT PROGRAM SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,053	\$ 3,053
Investment income	-	-	11	11
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>103,064</u>	<u>3,064</u>
EXPENDITURES:				
Current:				
Public safety	<u>100,000</u>	<u>112,226</u>	<u>112,226</u>	<u>-</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>100,000</u>	<u>112,226</u>	<u>112,226</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (12,226)</u>	<u>(9,162)</u>	<u>\$ 3,064</u>
FUND BALANCE:				
Beginning of year			<u>9,181</u>	
End of year			<u>\$ 19</u>	

CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 20,572	\$ 572
Investment income	-	-	181	181
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,753</u>	<u>753</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 20,000</u>	<u>\$ 20,000</u>	20,753	<u>\$ 753</u>
FUND BALANCE:				
Beginning of year			<u>72,298</u>	
End of year			<u>\$ 93,051</u>	

CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR MOBILITY SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 238,997	\$ 238,997	\$ 229,374	\$ (9,623)
Investment income	-	-	79	79
Total revenues	<u>238,997</u>	<u>238,997</u>	<u>229,453</u>	<u>(9,544)</u>
EXPENDITURES:				
Current:				
Community services	<u>254,600</u>	<u>254,600</u>	<u>221,460</u>	<u>33,140</u>
Total expenditures	<u>254,600</u>	<u>254,600</u>	<u>221,460</u>	<u>33,140</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (15,603)</u>	<u>\$ (15,603)</u>	<u>7,993</u>	<u>\$ 23,596</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,397</u>	<u>\$ 4,397</u>	<u>7,993</u>	<u>\$ 3,596</u>
FUND BALANCE (DEFICIT):				
Beginning of year, as originally reported			(72,362)	
Prior period adjustment			<u>83,293</u>	
Beginning of year, as restated			<u>10,931</u>	
End of year			<u>\$ 18,924</u>	

CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 135,000	\$ 135,000	\$ 136,815	\$ 1,815
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>136,815</u>	<u>1,815</u>
EXPENDITURES				
Current:				
Community services	<u>135,000</u>	<u>136,835</u>	<u>136,815</u>	<u>20</u>
Total expenditures	<u>135,000</u>	<u>136,835</u>	<u>136,815</u>	<u>20</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (1,835)</u>	<u>-</u>	<u>\$ 1,835</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(3,634)</u>	
End of year			<u>\$ (3,634)</u>	

CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG/CABLE TELEVISION SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 12,500	\$ 12,500	\$ 13,264	\$ 764
Investment income	-	-	85	85
Total revenues	<u>12,500</u>	<u>12,500</u>	<u>13,349</u>	<u>849</u>
EXPENDITURES:				
Current:				
Community services	<u>12,500</u>	<u>12,500</u>	<u>2,455</u>	<u>10,045</u>
Total expenditures	<u>12,500</u>	<u>12,500</u>	<u>2,455</u>	<u>10,045</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>10,894</u>	<u>\$ 10,894</u>
FUND BALANCE:				
Beginning of year, as originally reported			-	
Prior period adjustment			<u>32,300</u>	
Beginning of year, as restated			<u>32,300</u>	
End of year			<u>\$ 43,194</u>	

CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANTS SPECIAL REVENUE FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 415,880	415,880	144,036	\$ (271,844)
Investment income	-	-	519	519
Total revenues	<u>415,880</u>	<u>415,880</u>	<u>144,555</u>	<u>(271,325)</u>
EXPENDITURES:				
Current:				
Public safety	54,342	54,342	22,811	31,531
Public works	130,000	130,000	-	130,000
Community development	<u>345,805</u>	<u>345,805</u>	<u>16,204</u>	<u>329,601</u>
Total expenditures	<u>530,147</u>	<u>530,147</u>	<u>39,015</u>	<u>491,132</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (114,267)</u>	<u>\$ (114,267)</u>	<u>105,540</u>	<u>\$ 219,807</u>
FUND BALANCE (DEFICIT):				
Beginning of year, as originally reported			137,745	
Prior period adjustment			<u>(4,646)</u>	
Beginning of year, as restated			<u>133,099</u>	
End of year			<u>\$ 238,639</u>	

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2015

This part of the City of Laguna Woods' 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 say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	88
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	98
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	110
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	115

CITY OF LAGUNA WOODS

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual bases of accounting)

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	\$ 3,462,071	\$ 8,651,256	\$ 9,054,330	\$ 10,218,649
Restricted	1,447,579	923,518	615,239	591,290
Unrestricted	12,282,988	14,023,873	15,631,995	14,441,848
Total governmental activities net position	<u>\$ 17,192,638</u>	<u>\$ 23,598,647</u>	<u>\$ 25,301,564</u>	<u>\$ 25,251,787</u>

Note:

(1) The City has no business type activities.

Business type activities would impact government-wide activities and net position.

Fiscal Year Ended June 30,					
2010	2011	2012	2013 as restated	2014 as restated	2015
\$ 17,891,721	\$ 20,428,076	\$ 20,473,643	\$ 22,474,259	\$ 27,395,543	\$ 35,331,456
2,702,280	165,250	171,390	920,587	669,420	1,464,214
7,261,961	6,990,401	7,708,348	8,115,566	8,289,008	9,399,679
<u>\$ 27,855,962</u>	<u>\$ 27,583,727</u>	<u>\$ 28,353,381</u>	<u>\$ 31,510,412</u>	<u>\$ 36,353,971</u>	<u>\$ 46,195,349</u>

CITY OF LAGUNA WOODS

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Expenses:				
Governmental activities:				
General government	\$ 2,006,257	\$ 1,736,278	\$ 1,822,451	\$ 2,184,728
Public safety	2,281,038	1,541,013	1,562,790	1,652,367
Public works	579,833	2,048,856	1,230,035	1,255,018
Community development	1,264,112	609,066	817,237	702,813
Community services	161,956	170,226	231,941	420,018
Total governmental activities expenses	<u>6,293,196</u>	<u>6,105,439</u>	<u>5,664,454</u>	<u>6,214,944</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	132,682	150,401	132,470	15,186
Public safety	302,474	380,086	425,158	324,999
Public works	115	321	-	-
Community development	-	-	-	-
Community services	679,085	284,227	391,673	316,669
Operating grants and contributions	1,984,898	1,654,306	2,008,063	1,300,228
Capital grants and contributions	283,785	114,716	100,002	115,743
Total governmental activities program revenues	<u>3,383,039</u>	<u>2,584,057</u>	<u>3,057,366</u>	<u>2,072,825</u>
Net revenues (expenses)	<u>\$ (2,910,157)</u>	<u>\$ (3,521,382)</u>	<u>\$ (2,607,088)</u>	<u>\$ (4,142,119)</u>

Note:

(1) The City has no business type activities.

Business type activities would impact government-wide activities and net position.

Fiscal Year Ended June 30,					
2010	2011	2012	2013 as restated	2014 as restated	2015
\$ 1,943,324	\$ 2,152,892	\$ 1,427,072	\$ 1,652,166	\$ 1,582,672	\$ 1,378,555
1,756,569	1,715,908	1,617,293	1,738,531	1,865,156	1,623,288
1,594,940	1,573,552	1,474,254	165,783	2,090,472	2,588,172
616,934	838,745	801,271	850,354	700,826	965,458
366,327	409,631	521,797	440,732	434,773	483,103
6,278,094	6,690,728	5,841,687	4,847,566	6,673,899	7,038,576
140,157	187,584	257,340	121,094	118,820	150,814
449,314	355,642	204,592	258,636	248,537	25,810
-	-	-	-	-	699,984
377,082	353,430	422,952	580,765	535,675	-
-	-	30,000	5,319	38,547	-
4,362,757	2,143,059	1,852,654	3,011,819	1,485,564	1,419,207
80,666	100,099	100,032	100,000	1,457,217	10,376,299
5,409,976	3,139,814	2,867,570	4,077,633	3,884,360	12,672,114
\$ (868,118)	\$ (3,550,914)	\$ (2,974,117)	\$ (769,933)	\$ (2,789,539)	\$ 5,633,538

CITY OF LAGUNA WOODS

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 242,507	\$ 253,529	\$ 319,982	\$ 270,622
Property taxes in lieu of VLF	3,768,506	1,623,484	1,598,158	1,770,344
Sales taxes	913,131	1,109,456	1,072,091	876,848
Franchise fees	334,089	370,815	388,054	391,352
Transient occupancy taxes	445,337	443,860	457,607	348,280
Investment income	313,331	482,589	467,198	210,934
Miscellaneous income	18,179	40,790	6,915	9,387
Total governmental activities	6,035,080	4,324,523	4,310,005	3,877,767
Net program revenues/(expense)	(2,910,157)	(3,521,382)	(2,607,088)	(4,142,119)
Changes in net position:				
Governmental activities	\$ 3,124,923	\$ 803,141	\$ 1,702,917	\$ (264,352)

Note:

(1) The City has no business type activities.

Business type activities would impact government-wide activities and net position.

Fiscal Year Ended June 30,					
2010	2011	2012	2013 as restated	2014 as restated	2015
\$ 295,612	\$ 241,632	\$ 229,802	\$ 384,386	\$ 289,177	\$ 308,786
1,743,438	1,732,818	1,627,101	1,649,600	1,557,290	1,803,982
798,046	840,953	855,533	850,241	980,556	908,621
389,574	389,820	607,785	688,948	628,027	604,739
340,856	350,660	396,797	404,110	443,361	452,293
62,358	46,628	26,753	20,438	19,428	26,810
6,687	37,389	-	-	-	102,609
3,636,571	3,639,900	3,743,771	3,997,723	3,917,839	4,207,840
(868,118)	(3,550,914)	(2,974,117)	(769,933)	(2,789,539)	5,633,538
<u>\$ 2,768,453</u>	<u>\$ 88,986</u>	<u>\$ 769,654</u>	<u>\$ 3,227,790</u>	<u>\$ 1,128,300</u>	<u>\$ 9,841,378</u>

CITY OF LAGUNA WOODS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
General fund:				
Reserved	\$ 3,160,000	\$ 4,150,000	\$ 4,160,679	\$ 4,267,545
Unreserved	9,441,089	9,265,530	9,959,588	9,472,573
Total general fund	<u>\$ 12,601,089</u>	<u>\$ 13,415,530</u>	<u>\$ 14,120,267</u>	<u>\$ 13,740,118</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	852,167	576,519	952,178	637,441
Debt service funds	-	-	-	-
Capital projects funds	-	563,436	299,374	184,024
Total all other governmental funds	<u>\$ 852,167</u>	<u>\$ 1,139,955</u>	<u>\$ 1,251,552</u>	<u>\$ 821,465</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes:

(1) The City has no debt service or capital project funds.

(2) GASB 54 which was implemented in 2011, shifted the focus of fund balance reporting from the availability of fund resources to the extent to which the City has constraints for which amounts in the funds can be spent. As such, years prior to 2011 are not directly comparable to 2011 and subsequent years.

Fiscal Year Ended June 30,					
2010	2011	2012	2013 as restated	2014 as restated	2015
\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -
6,746,610	-	-	-	-	-
<u>\$ 7,246,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,702,280	-	-	-	-	-
-	-	-	-	-	-
151,349	-	-	-	-	-
<u>\$ 2,853,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 104,107	\$ -	\$ -	\$ -	\$ 29,297
-	-	-	-	32,300	-
-	763,235	1,021,165	1,859,674	1,774,782	1,728,998
-	6,269,079	6,815,516	6,845,440	7,485,338	8,318,850
<u>\$ -</u>	<u>\$ 7,136,421</u>	<u>\$ 7,836,681</u>	<u>\$ 8,705,114</u>	<u>\$ 9,292,420</u>	<u>\$ 10,077,145</u>
\$ -	\$ -		\$ -	\$ -	\$ 1,094
-	165,250	1,005,889	920,587	561,920	1,464,214
-	-	-	-	-	-
-	-	(923,251)	(358,308)	(852,083)	(488,009)
<u>\$ -</u>	<u>\$ 165,250</u>	<u>\$ 82,638</u>	<u>\$ 562,279</u>	<u>\$ (290,163)</u>	<u>\$ 977,299</u>

CITY OF LAGUNA WOODS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Revenues:				
Taxes and assessments	\$ 1,480,591	\$ 1,034,664	\$ 1,111,395	\$ 923,977
Intergovernmental	6,862,507	4,132,500	4,199,636	4,194,778
Franchise fees	334,089	365,815	393,239	391,352
Charges for services	811,882	347,924	414,330	329,185
Fines and forfeitures	302,474	380,086	287,923	324,999
Investment income	313,331	523,208	451,607	225,233
Miscellaneous	29,614	51,119	6,727	11,887
Total revenues	<u>10,134,488</u>	<u>6,835,316</u>	<u>6,864,857</u>	<u>6,401,411</u>
Expenditures				
Current:				
General government	1,900,221	1,220,383	1,363,726	1,459,638
Public safety	1,264,112	1,541,013	1,577,904	1,666,666
Public works	2,281,038	2,192,399	2,057,715	2,964,225
Community development	579,833	609,066	817,237	702,813
Community services	161,956	170,226	231,941	420,018
Capital outlay	<u>5,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,192,610</u>	<u>5,733,087</u>	<u>6,048,523</u>	<u>7,213,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,941,878</u>	<u>1,102,229</u>	<u>816,334</u>	<u>(811,949)</u>
Other financing sources (uses):				
Transfers in	-		493,918	1,004,929
Transfers out	<u>-</u>	<u>-</u>	<u>(493,918)</u>	<u>(1,004,929)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 3,941,878</u>	<u>\$ 1,102,229</u>	<u>\$ 816,334</u>	<u>\$ (811,949)</u>

Source: Administrative Services Department

Fiscal Year Ended June 30,					
2010	2011	2012	2013 as restated	2014 as restated	2015
\$ 1,682,332	\$ 1,904,699	\$ 1,985,268	\$ 2,085,041	\$ 3,828,708	\$ 4,005,500
6,330,845	3,499,723	2,962,692	4,424,819	1,763,196	1,769,480
389,576	389,821	607,787	688,949	628,028	604,739
517,854	494,431	623,471	689,184	610,251	699,984
449,315	355,642	210,089	259,561	248,089	25,810
70,561	51,432	28,979	22,724	19,428	24,300
6,064	83,966	81,112	17,021	123,340	150,814
9,446,547	6,779,714	6,499,398	8,187,299	7,221,040	7,280,627
8,299,925	2,068,618	1,352,679	1,566,398	1,660,037	1,259,342
1,756,569	1,715,908	1,617,293	1,738,531	1,865,156	1,637,906
2,916,620	4,184,158	1,588,710	2,243,210	2,825,384	885,016
616,934	838,745	801,271	850,354	700,826	965,458
366,327	409,631	521,797	440,732	434,773	480,718
-	-	-	-	-	-
13,956,375	9,217,060	5,881,750	6,839,225	7,486,176	5,228,440
(4,509,828)	(2,437,346)	617,648	1,348,074	(265,136)	2,052,187
53,654	27,505	71,738	-	25,000	-
(53,654)	(27,505)	(71,738)	-	(25,000)	-
-	-	-	-	-	-
\$ (4,509,828)	\$ (2,437,346)	\$ 617,648	\$ 1,348,074	\$ (265,136)	\$ 2,052,187

CITY OF LAGUNA WOODS
PROPERTY TAX DOLLAR BREAKDOWN
For Fiscal Year 2014-15

Tax Rate Area	Annual Tax Increment
Saddleback Valley Unified General Fund	\$0.4668
Educational Revenue Augmentation Fund	\$0.1584
O.C. Fire Authority General Fund	\$0.1157
South Orange County Community College Dist. General Fund	\$0.0912
Orange County General Fund	\$0.0573
Orange County Flood Control District	\$0.0204
Others:	
Orange County Public Library	\$0.0172
O.C. Dept. of Education General Fund	\$0.0168
Aliso Viejo City Csa #4 RO (in 99-06r)	\$0.0162
O.C. Harbors Beaches & Parks Csa 26	\$0.0157
El Toro Water District - General Fund	\$0.0110
Laguna Woods General Fund	\$0.0088
Orange County Transit Authority	\$0.0029
Orange County Vector Control District	\$0.0011
Orange County Cemetery Fund - General	\$0.0005
Total Annual Tax Increment (ATI)	\$1.0000

ATI Ratios for Tax Rate Area 32010, Excluding Redevelopment Factors And
Additional Debt Service

CITY OF LAGUNA WOODS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(rate per \$100 of taxable value)

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Direct Rates										
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Tax Rates (2)										
Capistrano										
Union	0.01078	0.00947	0.01019	0.00971	0.01077	0.01105	0.01101	0.01171	0.00972	0.00900
Laguna Beach										
Unified	0.01897	0.01720	0.01808	0.01544	0.01683	0.01582	0.01601	0.01694	0.01567	0.01461
Metropolitan										
Water Dist.	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350
Saddleback										
Valley										
Unified	0.03079	0.03694	0.02668	0.02834	0.03043	0.03194	0.03163	0.03265	0.03207	0.02806
Total Direct & Overlapping Tax Rates	<u>1.06574</u>	<u>1.06831</u>	<u>1.05945</u>	<u>1.05779</u>	<u>1.06233</u>	<u>1.06251</u>	<u>1.06235</u>	<u>1.06480</u>	<u>1.06096</u>	<u>1.05517</u>
City's Share of Prop 13 (3)	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879
Total Direct Rate (4)	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879

Notes:

- (1) In 1978, California voters passed Proposition 13, which set the proper tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the city. Not all overlapping rates apply to all property owners within the city.
- (3) City's Share of the 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) Total Direct Rate is the weighted average of all individual direct rates applied to the City preparing the and excludes revenues derived from aircraft. Beginning in the fiscal year ended June 30, 2014, the total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during the fiscal year ended June 30, 2013. For purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.
- (5) The City of Laguna Woods never established a redevelopment agency.

CITY OF LAGUNA WOODS

OVERLAPPING DEBT

As of June 30, 2015
(rate per \$100 of taxable value)

	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable To City</u>	<u>Net Bonded Debt</u>
Overlapping Debt			
628.01 CAPISTRANO UNION SFID#1 1999 BOND #2002C	\$ 21,645,000	0.050%	\$ 10,855
629.01 CAPISTRANO UNION SFID#1 1999 BOND #2001B	10,871,818	0.050%	5,452
6AB.01 SADDLEBACK VALLEY USD 2004 BOND#2004A	70,350,000	6.892%	4,848,221
6AW.01 SADDLEBACK VALLEY USD 2004 SERIES B	42,290,000	6.892%	2,914,446
6BM.01 LAGUNA BEACH USD 2010 GO REFUNDING BOND	27,325,000	0.859%	234,755
6CZ.01 SADDLEBACK VALLEY USD 2013 REFUNDING	9,600,000	6.892%	661,591
C55.14 METROPOLITAN WATER DISTRICT	22,450,118	0.574%	128,912
Total Overlapping Debt			<u><u>\$ 8,804,232</u></u>

Fiscal Year 2014-15 Assessed Valuation:

\$2,425,460,789 After Deducting \$0 Incremental Value

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	0.36%
	Total Debt	0.36%

Sources: Orange County Assessor and Auditor-Controller - Combined FY 2014-15 Lien Date Tax Rolls
HdL, Coren & Cone

CITY OF LAGUNA WOODS

TOP TEN PROPERTY TAXPAYERS - FY 2005-06

Principal Property Owners Based on Net Values

Owner	Secured			Unsecured		
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV
1) United Laguna Hills Mutual*	95	\$666,322,005	34.40%	19	\$330,049	1.23%
2) Raintree Realty LLC*	3	\$19,246,166	0.99%			
3) SHP II Rossmoor LLC*	1	\$18,907,713	0.98%			
4) KPL Villas LLC	1	\$15,599,380	0.81%			
5) Laguna Hills Assisted I LP Gate Three HC*	2	\$14,917,304	0.77%			
6) Camino Oaks Limited	3	\$11,217,129	0.58%			
7) Ayres-Laguna Woods LP*	1	\$9,002,307	0.46%	1	\$1,560,497	5.82%
8) Ferrucci Properties LLC	1	\$9,117,780	0.47%			
9) Home Depot USA Inc	3	\$7,314,640	0.38%	2	\$1,357,411	5.07%
10) Mark IV Capital Inc*	1	\$8,398,884	0.43%			
Top Ten Total	111	\$780,043,308	40.27%	22	\$3,247,957	12.12%
City Total		\$1,937,028,393			\$26,796,556	

Owner	Combined		Primary Use &
	Value	% of Net	
1) United Laguna Hills Mutual*	\$666,652,054	33.95%	r
2) Raintree Realty LLC*	\$19,246,166	0.98%	c
3) SHP II Rossmoor LLC*	\$18,907,713	0.96%	c
4) KPL Villas LLC	\$15,599,380	0.79%	c
5) Laguna Hills Assisted I LP Gate Three HC*	\$14,917,304	0.76%	i
6) Camino Oaks Limited	\$11,217,129	0.57%	c
7) Ayres-Laguna Woods LP*	\$10,562,804	0.54%	c
8) Ferrucci Properties LLC	\$9,117,780	0.46%	c
9) Home Depot USA Inc	\$8,672,051	0.44%	c
10) Mark IV Capital Inc*	\$8,398,884	0.43%	c
Top Ten Total	\$783,291,265	39.88%	
City Total	\$1,963,824,949		

r = Residential

c = Commercial

I = Institutional

*Pending Appeals on Parcels

All property tax collected on assessed value is paid to Laguna Woods General Fund.

CITY OF LAGUNA WOODS

TOP TEN PROPERTY TAXPAYERS - FY 2014-15

Principal Property Owners Based on Net Values

Owner	Secured			Unsecured		
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV
1) United Laguna Hills Mutual*	91	\$539,756,383	22.50%	95	\$1,149,329	4.33%
2) Federal National Mortgage Association*	12	\$97,834,735	4.08%			
3) Majorca Avenida Trust*	3	\$38,344,248	1.60%			
4) Avalon Regency LLC*	1	\$36,066,941	1.50%	1	\$658,991	2.48%
5) Behringer Harvard San Sebastian	134	\$35,963,344	1.50%			
6) Kosha Mahmodieh*	1	\$30,584,154	1.27%			
7) Avalon Las Palmas LLC	2	\$28,416,377	1.18%	1	\$604,777	2.28%
8) Raintree Realty LLC*	3	\$24,760,697	1.03%			
9) Anthony J DeVito*	1	\$23,812,846	0.99%			
10) 24300 El Toro LP	1	\$17,737,930	0.74%			
Top Ten Total	249	\$873,277,655	36.39%	97	\$2,413,097	9.09%
City Total		\$2,398,940,722			\$26,520,067	

Owner		Combined		Primary Use &
		Value	% of Net	
1)	United Laguna Hills Mutual*	\$540,905,712	22.30%	r
2)	Federal National Mortgage Association*	\$97,834,735	4.03%	r
3)	Majorca Avenida Trust*	\$38,344,248	1.58%	r
4)	Avalon Regency LLC*	\$36,725,932	1.51%	c
5)	Behringer Harvard San Sebastian	\$35,963,344	1.48%	r
6)	Kosha Mahmodieh*	\$30,584,154	1.26%	r
7)	Avalon Las Palmas LLC	\$29,021,154	1.20%	c
8)	Raintree Realty LLC*	\$24,760,697	1.02%	c
9)	Anthony J DeVito*	\$23,812,846	0.98%	r
10)	24300 El Toro LP	\$17,737,930	0.73%	c
Top Ten Total		\$875,690,752	36.09%	
City Total		\$2,425,460,789		

r = Residential

c = Commercial

I = Institutional

*Pending Appeals on Parcels

All property tax collected on assessed value is paid to Laguna Woods General Fund.

CITY OF LAGUNA WOODS

PROPERTY USE CATEGORY SUMMARY - FY 2014-15

Basic Property Value Table

Category	Secured				
	Parcels	Assesed Value	% of AV	Net Taxable Value	% of Net AV
Residential	6618	\$2,174,372,247	88.7%	\$2,171,362,601	89.5%
Commercial	42	\$227,126,651	9.3%	\$215,235,603	8.9%
Industrial	3	\$10,184,717	0.4%	\$10,184,717	0.4%
Agricultural	1	\$76,520	0.0%	\$76,520	0.0%
Vacant	4	\$1,480,370	0.1%	\$1,480,370	0.1%
Exempt	245	\$7,460,756	0.3%	\$0	0.0%
Cross Reference (1)	(33)	\$3,787,180	0.2%	\$600,911	0.0%
Unsecured (1)	(377)	\$26,742,587	1.1%	\$26,520,067	1.1%
Totals	6503	\$2,451,231,028	100.0%	\$2,425,460,789	100.0%

Note:

(1) Cross Reference & Unsecured parcels counts are not included in parcels totals.

CITY OF LAGUNA WOODS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	\$ 1,900,753,549	\$ 242,507	0.01%	\$ -	\$ 242,507	0.01%
2007	2,056,420,985	1,874,027	0.09%	2,986	1,877,013	0.09%
2008	2,200,829,893	1,906,093	0.09%	12,047	1,918,140	0.09%
2009	2,235,146,503	2,031,114	0.09%	9,853	2,040,966	0.09%
2010	2,274,217,893	2,029,458	0.09%	9,592	2,029,458	0.09%
2011	2,214,188,900	1,968,958	0.09%	5,492	1,968,958	0.09%
2012	2,187,255,546	1,969,693	0.09%	4,757	1,969,693	0.09%
2013	2,194,050,385	1,937,976	0.09%	96,010	1,937,976	0.09%
2014	2,236,871,012	1,843,292	0.08%	3,175	1,843,292	0.08%
2015	2,426,448,852	2,111,446	0.09%	1,322	2,111,446	0.09%

Notes:

- (1) Years ending 2007 through 2014 includes amounts received for Property Tax-In Lieu of Vehicle License Fees (VLF). As VLF distributions were not based on the same methodology 2006 than future years, 2006 amounts are not comparable.
- (2) "Collections in Subsequent Years" includes the total amount of delinquent taxes collected in each fiscal year. The Orange County Auditor-Controller does not provide detailed information regarding the levy year to which delinquent tax collections pertain.
- (3) Total collections may exceed 100% due to the above and delinquent tax penalties collected.

CITY OF LAGUNA WOODS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Secured	Unsecured	Taxable Assessed Value	Percentage Change	Parcel Count
2006	\$ 1,937,028,393	\$ 26,796,556	1,963,824,949	13.61%	Not Available
2007	2,091,586,176	27,526,390	2,119,112,566	7.91%	Not Available
2008	2,234,948,436	27,240,322	2,262,188,758	6.75%	Not Available
2009	2,263,096,230	32,005,037	2,295,101,267	1.45%	Not Available
2010	2,221,283,663	52,434,822	2,273,718,485	-0.93%	6,893
2011	2,181,760,994	31,914,975	2,213,675,969	-2.64%	6,896
2012	2,152,983,070	33,958,519	2,186,941,589	-1.21%	16,336
2013	2,160,531,125	33,093,242	2,193,624,367	0.31%	6,953
2014	2,207,900,802	28,493,026	2,236,393,828	1.95%	6,950
2015	2,398,940,722	26,520,067	2,425,460,789	8.45%	6,946

Note:

(1) In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: Orange County Assessor FY 2005-06 thru FY 2014-15 Combined Tax Rolls
HdL, Coren & Cone

CITY OF LAGUNA WOODS

TOP 25 SALES TAX PRODUCERS

For Fiscal Year 2005-06

Business Name*	Business Category
Adapt 2 It	Specialty Stores
California Lacrosse Inc	Sporting Goods/Bike Stores
El Toro Pharmacy	Drug Stores
EZ Lube	Auto Repair Shops
Foothill Pizza	Quick-Service Restaurants
Golden Rain Foundation	Government/Social Org.
Home Depot	Lumber/Building Materials
Hometown Buffet	Casual Dining
Jack in the Box	Quick-Service Restaurants
Laguna Hills Animal Hospital	Medical/Biotech
Leisure World Mobil	Service Stations
Longs Drug	Drug Stores
Mc Cormick & Son	Morticians and Undertakers
Mothers Market	Grocery-No Alcohol
Moulton Mini Market	Service Stations
Officemax	Office Supplies/Furniture
Olive Garden	Casual Dining
Rite Aid	Drug Stores
Rossmoor Towers	Quick-Service Restaurants
Stanley Okon Dental Lab	Medical/Biotech
Starbucks	Quick-Service Restaurants
Stater Bros	Grocery Stores-Liquor
Subway	Quick-Service Restaurants
Sushi Wok	Casual Dining
Vons	Grocery Stores-Liquor

Percent of Fiscal Year Total Paid by Top 25 Accounts = 97.20%

* Firms Listed Alphabetically

(Period: April 2004 thru March 2006)

CITY OF LAGUNA WOODS

TOP 25 SALES TAX PRODUCERS

For Fiscal Year 2014-15

Business Name*	Business Category
19 Restaurant & Lounge	Fine Dining
Adapt 2 It	Specialty Stores
Carls Jr	Quick-Service Restaurants
CVS Pharmacy	Drug Stores
Golden Rain Foundation	Government/Social Org.
Home Depot	Lumber/Building Materials
Hometown Buffet	Casual Dining
Jack in the Box	Quick-Service Restaurants
Leisure World Mobil	Service Stations
Mc Cormick & Son	Morticians and Undertakers
Mothers Market	Grocery-No Alcohol
Moulton Arco AMPM	Service Stations
Officemax	Office Supplies/Furniture
Olive Garden	Casual Dining
Rite Aid	Drug Stores
Saddleback Golf Cars	Transportation, Non-Auto
Saddleback Golf Cars	Boats/Motorcycles
Sch Enterprises	Transportation, Non-Auto
Stage 21 Bikes	Sporting Goods/Bike Stores
Stanley Okon Dental Lab	Medical/Biotech
Starbucks	Quick-Service Restaurants
Stater Bros	Grocery Stores-Liquor
Tomo Sushi	Casual Dining
Valvoline Instant Oil Change	Auto Repair Shops
Vons	Grocery Stores-Liquor

Percent of Fiscal Year Total Paid by Top 25 Accounts = 95.02%

* Firms Listed Alphabetically

(Period: April 2014 thru March 2015)

CITY OF LAGUNA WOODS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years
(in thousands of dollars)

	2005	2006	2007	2008
Eating and Drinking Places	\$ 10,798	\$ 11,054	\$ 10,778	\$ 10,545
Other Retail Stores	77,708	78,267	65,815	63,214
All Other Outlets	15,279	14,928	13,405	14,504
Total sales	<u>\$ 103,785</u>	<u>\$ 104,249</u>	<u>\$ 89,998</u>	<u>\$ 88,263</u>

Note:

- (1) The categories presented are intended to provide alternative information regarding the sources of the City's revenue. The information is presented in this manner in accordance with confidentiality laws.

2009		2010		2011		2012		2013		2014	
\$	10,569	\$	10,903	\$	10,862	\$	10,708	\$	10,887	\$	11,495
	56,805		56,952		59,779		61,556		63,728		62,878
	13,411		12,597		14,352		15,661		15,846		18,014
\$	80,785	\$	80,452	\$	84,993	\$	87,925	\$	90,461	\$	92,387

CITY OF LAGUNA WOODS
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Calendar Year	Population (1)	Personal Income (in thousands)(2)*	Per Capita Personal Income (2) *	Unemployment Rate (3)
2005	18,279	\$ 629,659	\$ 34,447	5.30%
2006	18,272	\$ 672,046	\$ 36,780	4.80%
2007	18,272	\$ 700,376	\$ 38,331	5.40%
2008	18,344	\$ 709,710	\$ 38,689	7.30%
2009	18,453	\$ 693,200	\$ 37,566	12.30%
2010	18,747	\$ 639,854	\$ 34,131	13.10%
2011	16,334	\$ 580,282	\$ 35,526	11.90%
2012	16,500	\$ 586,212	\$ 35,528	7.90%
2013	16,581	\$ 619,400	\$ 37,356	7.00%
2014	16,575	\$ 639,480	\$ 38,581	5.60%

Notes:

(1) Population: California State Department of Finance

(2) Income & Per Capita Income:

2000-2009 / Demographic Estimates based on the last available census. Projections are developed by incorporating all of the prior census data released to date.

2010 and later / US Census Bureau, most recent American Community Survey

(3) Unemployment: California Employment Development Department

Sources: Data compiled from agencies listed in the notes section above by HdL, Coren & Cone

CITY OF LAGUNA WOODS

PRINCIPAL EMPLOYERS

Calendar Year 2014 and Nine Years Ago

2014		
Employer	Estimated Number of Employees	Percent of Total Employment
Laguna Woods Village	1,000	26.32%
Professional Community Mgmt. of CA, Inc.	134	3.53%
State Bros. Market	80	2.11%
Rainbow Realty Corporation	55	1.45%
OCB Restaurant Company LLC	49	1.29%

2005		
Employer	Estimated Number of Employees	Percent of Total Employment
Alterra Wynwood	120	2.31%
ManorCare Palm Terrace	120	2.31%
Renaissance at the Regency	100	1.93%

Notes:

- (1) Calendar year 2014 represents the current completed calendar year.
- (2) "Total Employment" as used above represents the total employment of all employers located within City limits per the State of California Employment Development Department.

Sources: State of California Employment Development Department
Center for Demographic Research 2014 and 2005 Orange County Progresss Reports
(Hoovers Business Information Database [2014 and 2005])

CITY OF LAGUNA WOODS

ASSESSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years
(accrual bases of accounting)

Category	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Residential	1,759,250,893	1,904,170,489	2,043,751,578	2,007,133,935
Commercial	149,875,636	158,749,765	162,189,222	203,116,105
Industrial	12,354,612	12,488,888	12,738,664	12,993,437
Agricultural	67,299	68,644	70,016	71,416
Institutional	13,588,922	13,942,283	14,137,913	37,665,382
Vacant	1,185,699	1,209,411	1,233,598	1,258,269
Cross Reference	705,332	956,696	827,445	857,686
Unsecured	26,796,556	27,526,390	27,240,322	32,005,037
Exempt (1)	(2,917,754)	(2,976,048)	(3,035,561)	(6,893,726)
Totals	1,963,824,949	2,116,136,518	2,262,188,758	2,295,101,267
Total Direct Rate	0.00879	0.00879	0.00879	0.00879

Notes:

(1) Exempt values are not included in totals.

(2) In 1978, the voters of the State of California passed Proposition 1,3 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Fiscal Year Ended June 30,					
2010	2011	2012	2013 as restated	2014 as restated	2015
1,962,570,692	1,924,235,756	1,934,950,643	1,938,957,534	1,982,057,711	2,171,362,601
206,493,225	245,051,889	206,212,280	209,170,969	213,924,549	215,235,603
11,923,610	10,417,199	9,858,815	10,055,990	9,939,949	10,184,717
72,844	72,671	73,218	74,682	76,175	76,520
38,418,689	-	-	-	-	-
1,283,433	1,470,832	1,345,031	1,822,131	1,473,682	1,480,370
521,170	512,647	543,083	449,819	428,736	600,911
52,434,822	31,914,975	33,958,519	33,093,242	28,493,026	26,520,067
(7,306,093)	(7,049,339)	(7,138,680)	(7,281,425)	(7,427,044)	(7,460,756)
<u>2,266,412,392</u>	<u>2,213,675,969</u>	<u>2,186,941,589</u>	<u>2,193,624,367</u>	<u>2,236,393,828</u>	<u>2,425,460,789</u>
<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>

CITY OF LAGUNA WOODS
RESIDENTIAL SALES VALUE HISTORY

Last Three Calendar Years

Calendar Year	Full Value Sales	Average Price	Median Price	Median % Change
2013	553	\$278,774	\$230,000	N/A
2014	464	\$305,199	\$250,000	8.70%
2015	436	\$302,459	\$249,250	-0.30%

Note:

(1) Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

CITY OF LAGUNA WOODS

FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	2.00	2.50	3.00	3.00	3.13	3.00	2.00	2.06	2.50	3.00
Administrative services	3.25	3.00	4.00	4.25	3.75	3.75	3.75	3.88	3.76	3.48
Community services	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Community development	2.00	2.00	1.00	1.50	2.00	2.00	2.20	2.13	2.00	1.00
Public Protection (1)	-	-	-	-	-	-	1.00	0.13	0.13	-
Public Works (2)	-	-	-	-	-	-	-	-	-	-
Total	<u>8.25</u>	<u>8.50</u>	<u>9.00</u>	<u>9.75</u>	<u>9.88</u>	<u>9.75</u>	<u>9.95</u>	<u>9.20</u>	<u>9.39</u>	<u>8.48</u>

Notes:

- (1) The City contracts out for law enforcement services and is served by a joint power authority for fire services.
- (2) The City Manager and Assistant City Manager provide staff support to multiple functions, but are reported in general government.

CITY OF LAGUNA WOODS

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Arrests										
Part 1 Crimes	108	95	127	117	119	153	152	137	124	119
Part 2 Crimes	139	152	114	108	125	134	113	139	107	90
Number of calls responded to	2,743	2,739	2,753	2,861	2,943	3,112	3,236	3,144	3,168	2,645
Fire:										
Number of calls answered	4,300	4,275	4,349	4,350	4,399	4,560	4,717	4,748	4,306	4,847
Public works: (1)										
Street resurfacing (miles)	-	-	-	-	-	-	-	-	-	-

NOTE:

(1) The City currently tracks resurfaced areas in total, and not by year. As of June 30, 2015, there were 0.06266 total square miles of streets that had been resurfaced.

CITY OF LAGUNA WOODS
CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police: (1)	-	-	-	-	-	-	-	-	-	-
Fire: (2)	-	-	-	-	-	-	-	-	-	-
Public works:										
Street (miles)	5.432	4.932	4.932	4.932	4.932	4.932	4.932	4.932	4.932	4.932
Streetlights	221	221	221	221	221	221	221	221	221	221
Traffic signals	14	14	14	14	14	14	14	14	14	14
Parks and recreation:										
Parks	1	1	2	2	2	3	3	3	3	3
Water: (3)	-	-	-	-	-	-	-	-	-	-

NOTES:

(1) The City contracts with the Orange County Sheriff's Department for law enforcement services.

(2) The City is a member of the Orange County Fire Authority.

(3) The City does not provide water services.

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