

City of Laguna Woods, California

Comprehensive Annual Financial Report With Report on Audit By Independent Certified Public Accountants

Year Ended June 30, 2016
(Fiscal Year 2015-16)



Prepared by:

Administrative Services Department
Margaret Cady, CPA
Administrative Services Director/City Treasurer



CITY OF LAGUNA WOODS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2016
(FISCAL YEAR 2015-16)

Prepared by:

Administrative Services Department
Margaret Cady, CPA
Administrative Services Director/City Treasurer

This page intentionally left blank

CITY OF LAGUNA WOODS

TABLE OF CONTENTS

June 30, 2016

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Principal Officials	vii
Organization Chart	viii
GFOA Certificate of Achievement for Excellence in Financial Reporting	ix
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-Wide Financial Statements:	17
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	21
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Notes to Basic Financial Statements	27
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
Note to Required Supplementary Information	70

CITY OF LAGUNA WOODS

TABLE OF CONTENTS (CONTINUED)

June 30, 2016

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Supplementary Information:	71
Other Governmental Funds:	73
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Gas Tax Special Revenue Fund	78
Traffic Mitigation Fees Special Revenue Fund	79
Supplemental Law Enforcement Special Revenue Fund	80
Air Quality Improvement Special Revenue Fund	81
Senior Mobility Special Revenue Fund	82
Community Development Block Grant Special Revenue Fund	83
PEG/Cable Television Special Revenue Fund	84
Grants Special Revenue Fund	85
STATISTICAL SECTION:	87
Description of Statistical Section Contents	89
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	90
Changes in Net Position - Expenses and Program Revenues - Last Ten Fiscal Years	92
Changes in Net Position - General Revenues - Last Ten Fiscal Years	94
Fund Balances of Governmental Funds - Last Ten Fiscal Years	96
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	98
Revenue Capacity:	
Property Tax Dollar Breakdown - Fiscal Year 2015-16	100
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	101
Overlapping Debt	102
Top Ten Property Taxpayers - Fiscal Year 2006-07	103
Top Ten Property Taxpayers - Fiscal Year 2015-16	104
Property Use Category Summary - Fiscal Year 2015-16	105
Property Tax Levies and Collections - Last Ten Fiscal Years	106
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	107
Top 25 Sales Producers - Fiscal Year 2006-07	108
Top 25 Sales Producers - Fiscal Year 2015-16	109
Taxable Sales by Category - Last Ten Calendar Years	110

CITY OF LAGUNA WOODS

TABLE OF CONTENTS
(CONTINUED)

June 30, 2016

	<u>Page Number</u>
STATISTICAL SECTION (CONTINUED):	
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	112
Principal Employers - Calendar Year 2015 and Nine Years Ago	113
Assessed Value of Taxable Property	114
Residential Sales Value History	116
Operating Information:	
Full-Time Equivalent City Employees by Function - Last Ten Fiscal Years	117
Operating Indicators by Function - Last Ten Fiscal Years	118
Capital Asset Statistics by Function - Last Ten Fiscal Years	119

This page intentionally left blank

INTRODUCTORY SECTION

This page intentionally left blank



CITY of LAGUNA WOODS

Noel Hatch
Mayor

December 8, 2016

Shari L. Horne
Mayor Pro Tem

Honorable Mayor and Members of the City Council:

Cynthia Conners
Councilmember

Bert Hack
Councilmember

Carol Moore
Councilmember

Christopher Macon
City Manager

It is our privilege to present the City of Laguna Woods' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016 (Fiscal Year 2015-16). 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.

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 of the City's financial statements. The internal control framework is a guide at any given time. As the City's business and operating environment may change over time, management periodically reassesses the internal control framework 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, 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 2015-16 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, is 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 receiving Federal funding. The City did not meet the threshold and was not required to have a single audit performed for Fiscal Year 2015-16.

This transmittal letter is designed to supplement the components of the CAFR, which includes Management’s 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 2015-16 included:

Animal Control & Shelter Services	City of Laguna Beach
Building Inspection & 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 (Michael Baker International, Inc.)
Right-of-Way Maintenance Services	PV Maintenance

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 28, 2016, Chapman University's A. Gary Anderson Center for Economic Research, reported several areas of slowing growth in Orange County, compared to previous years. Jobs, total personal income, taxable sales, and residential building permit valuation were forecast to grow in 2016, but at more modest levels than in previous years. Those forecasts, and prior year trends, led the Center for Economic Research to conclude that "As in the case of California, current trends suggest that [Orange County's] recovery is no longer holding its own but is in decline, with all explanatory factors pointing to slower growth." One area of contrast is housing appreciation, which was forecast to increase by 1.9% in 2016, compared to 0.7% in 2015. 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, the Center for Economic Research's findings provide regional context for local economic analysis.

While the City's revenue is generally expected to increase slightly over the course of future fiscal years, the risks posed by continually increasing law enforcement costs exacerbated by labor agreements approved by the Orange County Board of Supervisors; the lack of a strong and diversified local sales tax base; and, a continued downward trend in fuel tax revenue due, in part, to statewide reductions in motor vehicle gasoline prices and consumption, continue to be of significant concern. In any 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, or escalation of expenditures. In the case of sales tax, those fluctuations could occur with relatively little or no notice with the closure of any major 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 numerous financial policies to promote the prudent management and safeguarding of its assets, including investment, budgeting, reserves, reporting, payment, and purchasing policies. During Fiscal Year 2015-16, the City Council approved comprehensive updates of the City's investment and budgeting, reserves, and reporting policies. Staff also drafted a new escheatment policy, which was approved by the City Council on November 16, 2016.

The update of the City's investment policy expanded authorized investment types, modified maximum investments and maturities, and made a variety of other changes based, in part, on guidance provided by the State and the California Municipal Treasurer's Association. While the updated policy includes significant changes from previous policies, it maintains an overall conservative approach to investment activity with safety being the foremost priority.

The update of the City's budgeting, reserves, and reporting policy formalized the practice of considering independent, third-party analysis of the two largest sources of ongoing General Fund revenue (property tax and sales tax); established reserves for paid leave, self-insurance, and general contingency purposes; called for the continued maintenance of an irrevocable trust fund to prefund statutorily-mandated other post-employment benefit liabilities; required the preparation of Comprehensive Annual Financial Reports (as opposed to basic annual financial statements); and, modified the mix of interim financial reporting, among other changes.

The new escheatment policy outlines a process to handle monies belonging to other parties which remain unclaimed by those parties and in the City's treasury for periods of three years or more. The approved policy includes noticing to the persons whom the City identifies as the owners of each unclaimed payment in excess of the noticing required by State law.

Long-Term Financial Planning

In recent fiscal years, the City has expanded its budget presentation; improved the quality and transparency of its annual financial reporting; updated policies and practices pertaining to investing, budgeting, reserves, and reporting; and, laid the framework for longer-term strategic financial planning. Those efforts have resulted in the City receiving the Operating Budget Excellence Award for Fiscal Year 2015-16 from the California Society of Municipal Finance Officers (CSMFO) and the Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Finance Report (CAFR) for Fiscal Year 2014-15 from the Government Finance Officers Association (GFOA). Earning the Certificate of Achievement for the City's first-ever CAFR was particularly gratifying, as the CAFR represents a significant improvement in transparency and financial recordkeeping.

The City has historically developed a single-year budget and work plan, as well as a seven-year capital improvement plan. The City is in the process of transitioning to a two-year budget and issuance of an annual five-year strategic financial 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 in Fiscal Year 2017-18.

For Fiscal Year 2015-16, the City's budget included the following reserves: (1) a compensated employees absences reserve of \$150,000, and (2) a self-insurance reserve of \$500,000. As a direct result of increasing law enforcement costs (7.40% in Fiscal Year 2016-17 with an additional 1.4% increase anticipated due to recently negotiated labor agreements approved by the Orange County Board of Supervisors), and other economic drivers, the economic uncertainties reserve was suspended for Fiscal Year 2015-16.

During Fiscal Year 2015-16, the City Council unanimously voted to establish an other post-

employment benefits trust to proactively manage future costs and reduce unfunded liabilities associated with the City's statutorily required cost of CalPERS health insurance premiums for qualified, retired employees. The trust was established with an initial funding level of 80% of the other post-employment benefits liability and will be reviewed and maintained as stipulated in the City's budgeting, reserves, and reporting policy.

At the conclusion of Fiscal Year 2015-16, the City had unassigned fund balances equivalent to approximately 173% of General Fund operating expenses.

Major Initiatives

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

City Council's Priority Focus Areas

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 2015-16, the City was proud to be recognized for outstanding law enforcement services, including being ranked one of the Top 50 Safest Cities in California by SafeWise, the third safest city in California by BackgroundChecks.org, and the city with the second lowest odds of burglary in California by ConsumerAffairs.org. Other notable accomplishments included awarding a new solid waste handling services franchise, securing a five-year funding extension for the Senior Mobility Program, updating the General Plan Conservation Element,

working with the Local Agency Formation Commission to better align jurisdictional boundaries, and the aforementioned establishment of an other post-employment benefits trust fund and updates of the City's investment and budgeting, reserves, and reporting policies.

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

- Comprehensive update of the City's General Plan
- Modernization of the City's commercial zoning code and parking standards
- Development of plans for future water efficient median improvements
- Two multi-city traffic signal synchronization projects
- Safety and efficiency-related building improvements at City Hall
- Proactive pavement management and rehabilitation work
- Update of the City's Emergency Operations Plan
- Formation of a non-profit to support City and library programs, projects, and services

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

Closing Acknowledgments

The City's independent auditors, White Nelson Diehl Evans LLP, continue to proactively support the City in developing best practices related to financial operations and reporting. We thank them for their services.

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 its financial future.

Respectfully,



Christopher Macon
City Manager



Margaret Cady, CPA
Administrative Services Director/City Treasurer

City Officials



Noel Hatch
Mayor

Shari L. Horne
Mayor Pro Tem

Cynthia Conners
Councilmember

Bert Hack
Councilmember

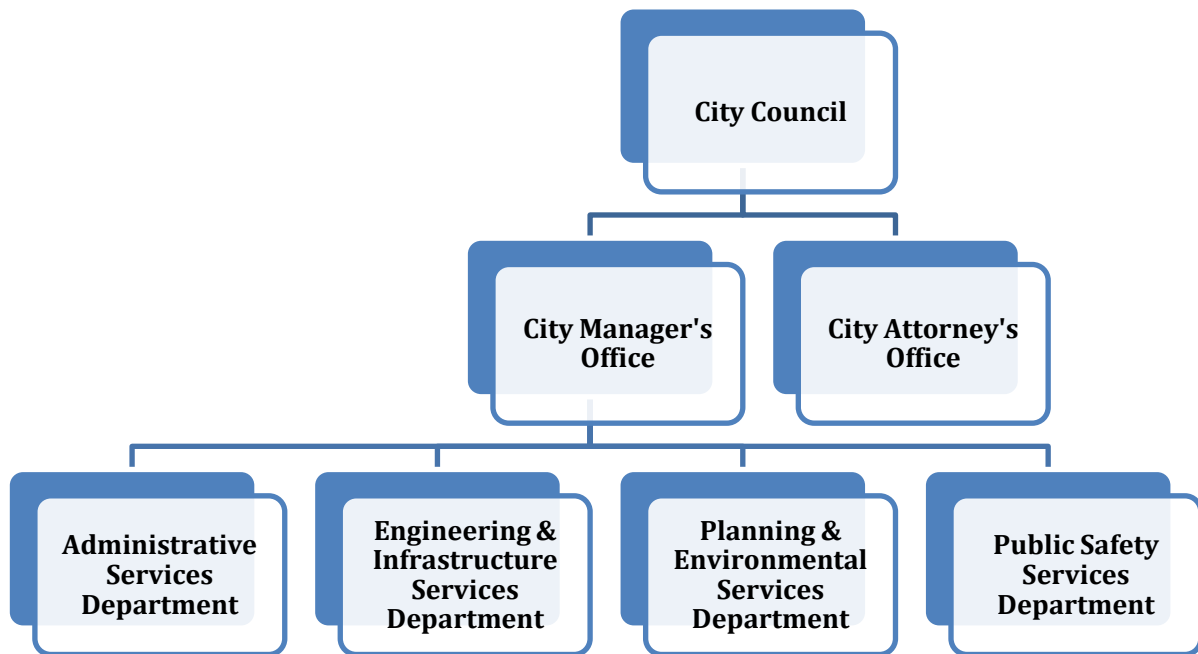
Carol Moore
Councilmember

Christopher Macon
City Manager

David B. Cosgrove
City Attorney

Margaret Cady, CPA
Administrative Services Director/
City Treasurer

City Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Laguna Woods
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

This page intentionally left blank

FINANCIAL SECTION

This page intentionally left blank

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, 2016, 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, 2016, 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.

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 fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 8, 2016

This page intentionally left blank

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, 2016 (FY 2015-16). 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 2015-16 with total assets, including capital assets, exceeding total liabilities by \$44.6 million. This amount is referred to as the net position of the City. Of this amount, \$9.1 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors. Of the remainder, \$33.8 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 decreased by \$1.6 million during the year. The decrease is primarily attributable to a net decrease of \$1.5 million in capital assets due to depreciation of prior years' contributed infrastructure. The remaining decrease is primarily due to an increase in accrued liabilities which represents timing differences that will turnaround in the following fiscal year.
- As of the close of FY 2015-16, the City's governmental funds reported combined ending fund balances of \$11.0 million, equivalent to the prior year after restating FY 2014-15 to adjust for impact of recording taxes payable and accrued liabilities not recorded in prior years as discussed in Note 13 in the financial statements.
- The General Fund reported an ending fund balance of \$9.6 million, with \$0.3 million in revenues under expenditures due to planned one-time non-operating expenditures, such as the renovation of City Hall's second floor and the General Plan Comprehensive Update project. There was still a \$0.5 million net savings over the final budget due to \$0.3 million in combined expenditure savings across all departments and \$0.2 million in revenues exceeding budgeted amounts.
- The General Fund ending fund balance of \$9.6 million represents 173% of annual General Fund expenditures (versus 240% last FY). The percentage decrease is a direct result of an increase in planned one-time activities and in law enforcement service costs.
- Increasing law enforcement service costs continue to impact funding, reducing amounts that would otherwise be available for general operations and programs. In FY 2015-16, actual law enforcement costs for police services increased 63.0% over prior year expenditures. Approximately 18.4% of the increase was a result of increased service levels, the addition of two deputies and related equipment, including one vehicle. 43.3% of the increase was due a change in costing methodology by the Orange County Sheriff Department and the impact of prior year labor agreements approved by the Orange County Board of Supervisors (Board of Supervisors). Finally, there was an unplanned 1.28% net increase in April 2016 due to additional Board of Supervisors approved labor agreements. In the next fiscal year (FY 2016-17), law enforcement services increased an additional 7.40% on July 1, 2016 due to the aforementioned Board of Supervisor actions and are projected to increase by an additional 1.4% before June 2017 due to new labor agreements recently approved by the Board of Supervisors.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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 deferred outflows of resources, and liabilities and deferred inflows of resources, 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. These statements report that the City's net position decreased during FY 2015-16. However, the decrease was primarily due to the recording of depreciation of prior years' contributed capital assets and increases in accrued liabilities that will turn around in the next year. Decreases related to operations were minimal and resulted from planned expenditures for one-time activities.

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 2015-16, the City has designated the Measure M Special Revenue Fund as a major fund. 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 or special revenue funds).

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

	2016	2015
Assets:		
Cash and investments	\$11,161,184	\$10,886,842
Other receivables and assets	901,043	916,860
Capital assets, net	33,783,628	35,331,456
Total Assets	\$45,845,855	\$47,135,158
Deferred Outflows of Resources:		
Deferred amount from pension plans	\$69,975	\$79,169
Total Deferred Outflows of Resources	\$69,975	\$79,169
Liabilities:		
Accounts payable and other accrued expenses	\$688,506	\$305,802
Long-term liabilities - due within one year	398,688	398,648
Long-term liabilities - due in more than one year	58,556	89,340
Long-term liabilities - compensated absences	73,658	110,525
Total Liabilities	\$1,219,408	\$904,315
Deferred Inflows of Resources:		
Deferred amount from pension plans	\$94,291	\$138,445
Total Deferred Inflows of Resources	\$94,291	\$138,445
Net position:		
Net investment in capital assets	\$33,783,628	\$35,331,456
Restricted	1,747,163	1,464,214
Unrestricted	9,071,340	9,375,897
Total Net Position	\$44,602,131	\$46,171,567

* 2015 (FY 2014-15) balances have been restated to adjust for impact of recording taxes payable and accrued liabilities not recorded in prior years as discussed in Note 13 in the financial statements.

Table 2
Changes in Net Position
Government Activities

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 826,397	\$ 876,608
Operating contributions and grants	1,176,753	1,419,207
Capital contributions and grants	<u>205,231</u>	<u>10,376,299</u>
Total program revenues	<u>2,208,381</u>	<u>12,672,114</u>
General revenues:		
Taxes:		
Property taxes	328,168	308,786
Property taxes in lieu of VLF	1,949,418	1,803,982
Sales taxes	984,031	908,621
Franchise fees	626,027	604,739
Transient occupancy taxes	475,926	452,293
Investment income	44,394	26,810
Miscellaneous income	<u>-</u>	<u>102,609</u>
Total general revenues	<u>4,407,964</u>	<u>4,207,840</u>
Total revenues	<u>6,616,345</u>	<u>16,879,954</u>
Expenses		
Governmental activities:		
General government	1,503,279	1,402,337
Public safety	2,606,312	1,623,288
Public works	2,481,180	2,588,172
Community development	1,107,156	1,102,273
Community services	<u>487,854</u>	<u>346,288</u>
Total expenses	<u>8,185,781</u>	<u>7,062,358</u>
Increase/(decrease) in net position	<u><u>\$ (1,569,436)</u></u>	<u><u>\$ 9,817,596</u></u>

* 2015 (FY 2014-15) balances have been restated to adjust for impact of recording taxes payable and accrued liabilities not recorded in prior years as discussed in Note 13 in the financial statements.

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

Tables 1 and 2
Summary of Key Trends and Variances
Government Activities

- Total assets and deferred outflows of resources in the government-wide financial statements were \$45,915,830 as of year- end, a decrease of \$1,298,497 (-2.7%) over the restated prior year, which was due primarily to the depreciation of capital assets partially offset by increases in construction in progress, and increases in accrued liabilities that will turnaround in the next year.
- Unrestricted net position, the part of net position that can be used to finance ongoing obligations, is \$9,071,340 at June 30, 2016, a decrease of -3.2% over the prior year as restated and consistent with the decrease in total assets.
- The City's total program and general revenues were \$2,208,381 and \$4,407,964 respectively, totaling \$6,616,345. After removing a one-time capital contribution of \$9,489,706 from prior year program revenues, the current year revenues compared to the prior year adjusted total of \$7,390,248 represents a decrease of \$773,903 or approximately -10.5% 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 and unspent grant funds which will be rolled over into the next fiscal year, partially offset by a slight increase in general revenues. The total cost of all programs and services was \$8,185,781, which was an increase of approximately 15.9%, due primarily to increased costs for public safety services and increased costs of general government related to planned one-time non-operating expenditures.
- Local property tax revenues along with property taxes in lieu of State vehicle license fees (VLF) totaled \$2,277,586, and combined, they are the City's largest revenue source at 51.7% of total revenues. These revenues fund a significant portion of the City's basic services. This combined revenue source increased by \$164,818 in FY 2015-16, or 7.8%, compared to FY 2014-15 due to increases in all revenue categories with the exception of miscellaneous income which decreased due to a reversal of prior year deferred activity.
- Sales taxes of \$984,031 are the City's second largest revenue source at 22.3%. This revenue source increased by \$75,410, or 8.3%, in FY 2015-16, compared to a decrease of -7.3% in FY 2014-15.

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

	2016		2015	
	<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	\$ 1,503,279	\$ 1,412,936	\$ 1,402,337	\$ 1,251,523
Public Safety	2,606,312	2,485,843	1,623,288	1,401,389
Public Works	2,481,180	878,679	2,588,172	(9,260,204)
Community Development	1,107,156	1,076,138	1,102,273	880,622
Community Services	487,854	123,804	346,288	116,914
Total	<u><u>\$ 8,185,781</u></u>	<u><u>\$ 5,977,400</u></u>	<u><u>\$ 7,062,358</u></u>	<u><u>\$ (5,609,756)</u></u>

* 2015 (FY 2014-15) balances have been restated to adjust for impact of recording taxes payable and accrued liabilities not recorded in prior years as discussed in Note 13 in the financial statements.

- General Government expenses of \$1,503,279 comprise 18.4% of total cost of services in FY 2015-16, compared to 19.9% 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 2015-16, charges for services were approximately 6.0% of total costs.
- Public Safety expenses of \$2,606,312 comprise 31.8% of the total cost of services compared to 23.1% in the prior year. Revenue from fines and Federal and State operating grants, which were equal to amounts received in the prior year, reduced the need for general revenues to support this program in FY 2015-16 by 0.2%. This represents a decrease in the amount of costs supported by non-general fund revenue of -8.8% and is a direct result of the increase in law enforcement operating costs as discussed on page 6.
- Public Works expenses (primarily for maintenance and operation of the City's roadway system) of \$2,481,180 comprise 30.3% of the total cost of services, compared to 36.7% in the prior year. Operating and capital contributions and grants were 60.4% of charges in the current year where in the prior year expenses were fully offset the total cost of these services this year. This is primarily due to planned one-time non-operating expenditures and \$172,859 in capital expenditures that will be reimbursed in a future fiscal year. FY 2015-16 expenses included annual depreciation expense on the City's infrastructure assets of \$1,764,052.
- Community Development expenses of \$1,107,156 comprise 13.5% of the total cost of services, compared to 13.7% in the prior year. The total cost of the program increased by \$141,698, or 14.5%, primarily in planning and environmental services.
- Community Services expenses of \$487,854 comprise 6.0% of the total cost of services, down from the two prior years of 6.8%, primarily due to the partial deferral of the Community Development Block Grant program into the next fiscal year. Operating contributions and grants and charges for services related to the Senior Mobility program offset 74.6% 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 \$11,016,047, a decrease of \$14,615 or 0.1% from the restated prior year. The General Fund comprises \$9,608,201, or 87.2%, of the total fund balance. The total fund balance of the City's General Fund equates to over 173% of annual General Fund expenditures. The City's General Fund unassigned fund balance of \$8,862,475 equates to over 159.6% of annual General Fund expenditures.

General Fund Budgetary Highlights:

Revenues: Actual total revenues of \$5,233,211 were \$194,211 or 3.9% higher than budgeted, primarily because all revenues, with the exception of franchise fees and investment income 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. Franchise fees came in just slightly under budget due to a late fourth quarter payments which was reported as deferred income per GASB rules. This represents a timing difference that will turn around in the next year.

Expenditures: Actual expenditures of \$5,552,216 were \$342,395 or 5.8% lower than budgeted. This was due to a savings across all departments resulting for the continuation of the City's reorganization and cost savings measures.

CAPITAL ASSETS

Capital assets, net of accumulated depreciation, totaled \$33,783,628 at year-end, primarily consisting of the City's land, building, and infrastructure assets. During the fiscal year, the City added \$216,224 of value for construction in process and allocated \$1,764,052 of depreciation expense on capital assets, which increased accumulated depreciation to \$10,414,280 as of fiscal year-end. The \$216,224 of current year added value included \$43,365 expended on the Moulton Parkway Water Efficient Median Project, \$67,610 on the El Toro Traffic Synchronization Project, and \$105,249 on the Moulton Parkway Traffic Synchronization Project. Land and Construction in Progress are not depreciated.

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)

	2016	2015
Land	\$ 6,916,750	\$ 6,916,750
Construction in Progress	216,224	80,809
Buildings	2,563,250	2,563,250
Building improvements	736,647	736,647
Equipment and furniture	212,231	212,231
Infrastructure	33,552,806	33,471,997
Less accumulated depreciation	(10,414,280)	(8,650,228)
Total	\$ 33,783,628	\$ 35,331,456

DEBT ADMINISTRATION

The City of Laguna Woods currently has no debt obligations. However, pension liabilities, compensated absences and the net Other Post-Employment Benefits (OPEB) obligation are classified as long-term liabilities and totaled \$398,688, \$81,607 and \$50,607, respectively, as of fiscal year-end. The City has assigned General Fund balance to address compensated absence liabilities. The City established an OPEB Trust with a planned funding level of 80% in the current year. The OPEB obligation decreased approximately 48% this fiscal year primarily due to the City's establishing of the OPEB Trust and prefunding the OPEB obligation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In 2016, local economists have painted a picture that overall, economic growth is stagnate, or modest at best. In June of 2016, Chapman University A. Gary Anderson Center for Economic Research (Chapman) issued a press release titled "The Recovery Continues. . . But Barely." At the end of the third quarter of 2016, Cal State Fullerton's Mihaylo's Woods Center for Economic Analysis (Cal State Fullerton) issued a forecast titled "The Year of Discontent," quoting the renowned artist Pablo Picasso who stated that "the world today does not make sense, so why should I paint pictures that do?" Both economic research groups issued a continued guarded outlook for Orange County.

Chapman and Cal State Fullerton both acknowledged that Orange County job growth continues at modest rates, but lags national and state job growth (approximately 43% below state growth). Chapman highlights that Orange County job growth has primarily been generated in low-paying categories such as leisure & hospitality, resulting in a decrease in per capita personal income. With continued upward pressure on housing prices predicted by both Chapman and Cal State Fullerton, this results in consumers having less discretionary funds to spend.

Cal State Fullerton and Chapman University economists both foresee continued positive performance in the housing market. In June 2016, Chapman University forecasted growth in median home prices in Orange County of 4.6% (an increase over 2.7% actual in 2015) and Cal State Fullerton noted that actual growth for the first three quarters in 2016 was 5.2%.and 3.7% in 2015 and 2016 respectively. With prices almost at pre-recessionary levels, and potential for increases in mortgage rates, future growth in prices is anticipated to slow.

Neither economic research group updated their prior forecasts for consumer spending which forecasted only moderate levels of growth; however, in a survey released by Chapman in September 2016, California consumers exhibited a higher level of optimism in terms of economic conditions, and reported an increase in planned spending. At the same time, major retailers are closing stores or reducing the size of stores, and a survey of manufacturing industry purchasing managers indicate a decline in their expected rate of manufacturing activity and profits. In August 2016, Macy's overall sales dropped 3.9% in the 2nd quarter compared to the same period in the prior year and the retailer announced it would close 100 stores nationwide in an effort to cut costs. Office Depot announced plans to close 300 stores, including one in the City of Laguna Woods.

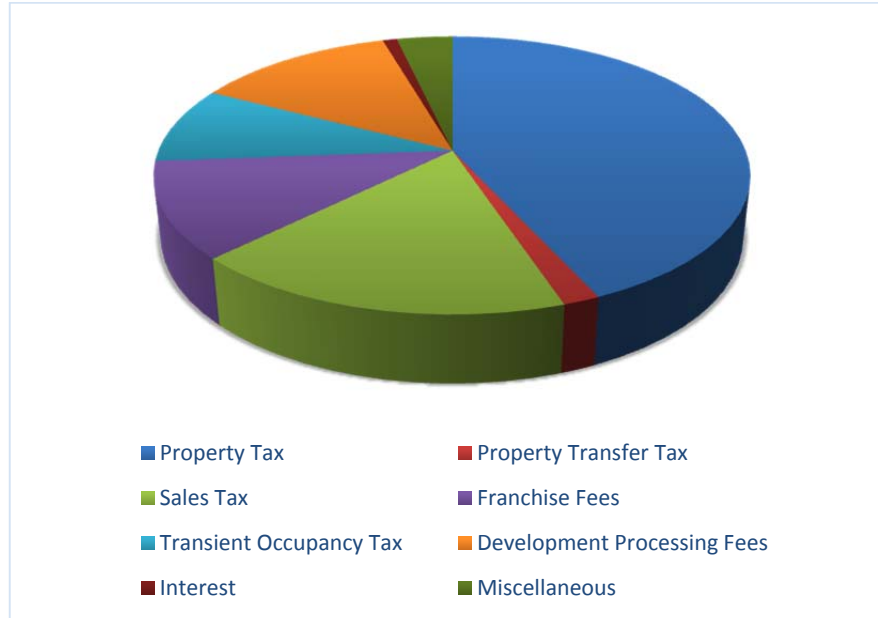
The bottom line is that the economy appears to be slowing, and the City continues to set conservative and prudent budgets in response.

The City's 2016-17 Budget included assumptions such as:

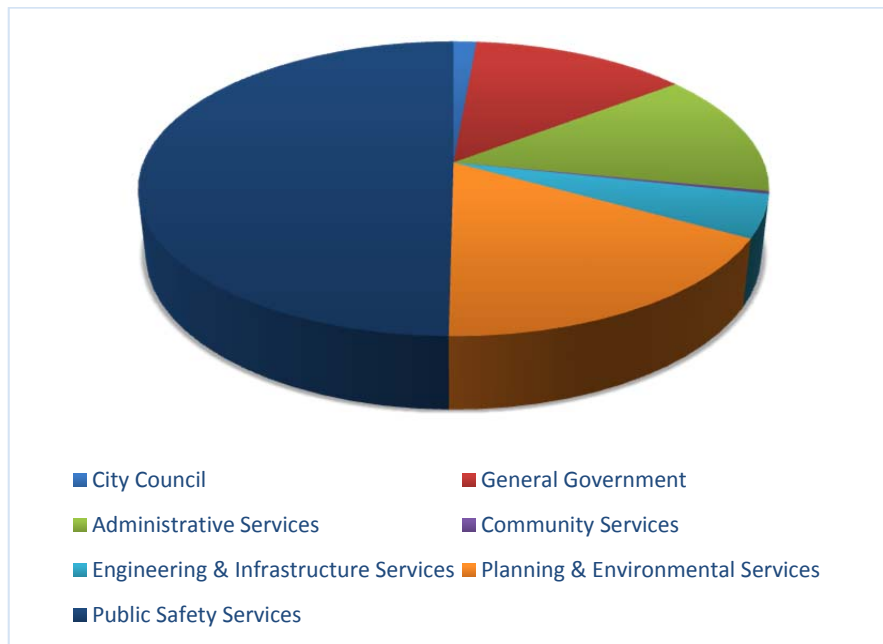
- Assessed property valuations in Laguna Woods are projected to increase 3.9% from Fiscal Year 2015-16 due, in part, to continued growth in home sale prices and the recapture of additional assessed property valuations that had been temporarily reduced pursuant to Proposition 8's tax relief program.
- Sales tax revenue is anticipated to increase by 2.6% due to continued growth in consumer spending. The projected increase is tempered by the City's sales tax base which is limited in size and lack of diversity. The top 25 sales tax producers on average, account for more than 96% of total sales tax revenue. The closure in FY 2015-16 of two of the top 25 sales tax producers is anticipated to have continued impact through the first half of FY 2016-17.
- Development processing fee revenue is estimated to increase by 7.7% due to an increase in private building-related work and an update of the City's fee schedules, developed to achieve full cost recovery. Due to the increase in building-related work, costs of providing related services are anticipated to increase as well.
- Interest rates are projected to increase at less than 1% in FY 2016-17, based on the expectation that the Federal Reserve may raise short-term rates by June 30, 2016 and that new investment strategies allowed per the City's Investment Policy updated at the end of 2015 are not anticipated to be fully implemented until mid-fiscal year.
- The adoption of a new franchise agreement for solid waste handling services is anticipated to provide the City with greater ongoing revenue growth and predictability. The agreement includes ongoing revenue for the City related to the importation of waste to Orange County landfills, and is projected to provide a 20.3% increase in miscellaneous revenue.

Total General Fund FY 2016-17 revenues are estimated at \$5,261,000. This represents a 4.4% increase over FY 2015-16 projected revenues at April 2015. The increase primarily relates modest increases in property tax, sales tax, and development processing fees. Development process fees offset the City's expenses for providing related services and do not represent a profit. General Fund operating expenditures are budgeted at \$5,248,513. After adding one-time non-operating expenditures and transfers to other funds, total General Fund Expenditures equal \$5,406,555. At the end of FY 2016-17, the General Fund unassigned fund balance is forecast to be at least 133% of FY 2016-17 General Fund operating expenditures. Budgeted FY 2016-17 General Fund revenues by source and operating expenditures by program follow:

[General Fund Revenue Estimates by Source – Fiscal Year 2016-17]



[General Fund Operating Expenditures by Program – Fiscal Year 2016-17]



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.

This page intentionally left blank

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS
STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS:	
Cash and investments	\$ 11,161,184
Receivables	185,176
Due from other governments	649,401
Prepaid items	66,466
Capital assets:	
Not being depreciated	7,132,974
Being depreciated (net of accumulated depreciation)	<u>26,650,654</u>
Total assets	<u>45,845,855</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount from pension plans	<u>69,975</u>
Total deferred outflows of resources	<u>69,975</u>
LIABILITIES:	
Accounts payable	389,247
Accrued liabilities	299,259
Long-term liabilities:	
Net pension liability	398,688
Due within one year	58,556
Due in more than one year	<u>73,658</u>
Total liabilities	<u>1,219,408</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amount from pension plans	<u>94,291</u>
Total deferred inflows of resources	<u>94,291</u>
NET POSITION:	
Investment in capital assets	33,783,628
Restricted for:	
Public safety	49,832
Public works	1,453,324
Community development	177,208
Community services	66,799
Unrestricted	<u>9,071,340</u>
Total net position	<u><u>\$ 44,602,131</u></u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA WOODS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,503,279	\$ 90,343	\$ -	\$ -	\$ (1,412,936)
Public safety	2,606,312	5,851	114,618	-	(2,485,843)
Public works	2,481,180	730,203	667,067	205,231	(878,679)
Community development	1,107,156	-	31,018	-	(1,076,138)
Community services	487,854	-	364,050	-	(123,804)
Total governmental activities	\$ 8,185,781	\$ 826,397	\$ 1,176,753	\$ 205,231	(5,977,400)
General revenues:					
Taxes:					
Property taxes					328,168
Sales taxes					984,031
Transient occupancy taxes					475,926
Franchise taxes					626,027
Property taxes in lieu of vehicle license fees					1,949,418
Investment income					44,394
Total general revenues					4,407,964
Change in net position					(1,569,436)
Net Position:					
Beginning of year, as originally reported					46,195,349
Prior period adjustments					(23,782)
Beginning of year, as restated					46,171,567
End of year					\$ 44,602,131

See accompanying notes to basic financial statements.

This page intentionally left blank

FUND FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,358,469	\$ -	\$ 1,802,715	\$ 11,161,184
Receivable:				
Accounts	184,396	-	780	185,176
Prepaid items	66,466	-	-	66,466
Due from other funds	318,572	-	-	318,572
Due from other governments	304,015	210,404	134,982	649,401
Total assets	\$ 10,231,918	\$ 210,404	\$ 1,938,477	\$ 12,380,799
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 220,164	\$ 106,847	\$ 62,236	\$ 389,247
Accrued liabilities	299,259	-	-	299,259
Due to other funds	-	256,170	62,402	318,572
Total liabilities	519,423	363,017	124,638	1,007,078
Deferred Inflows of Resources:				
Unavailable revenues	104,294	172,859	80,521	357,674
Total deferred inflows of resources	104,294	172,859	80,521	357,674
Fund Balances (Deficit):				
Nonspendable:				
Prepaid items	66,466	-	-	66,466
Restricted for:				
Public works	-	-	1,453,324	1,453,324
Community development	-	-	176,606	176,606
Community services	-	-	66,799	66,799
Public safety	-	-	49,832	49,832
Assigned to:	-			
Capital projects	97,651	-	-	97,651
Compensated absences	81,609	-	-	81,609
Self insurance contingencies	500,000	-	-	500,000
Unassigned	8,862,475	(325,472)	(13,243)	8,523,760
Total fund balances (deficit)	9,608,201	(325,472)	1,733,318	11,016,047
Total liabilities, deferred inflows of resources and fund balances	\$ 10,231,918	\$ 210,404	\$ 1,938,477	\$ 12,380,799

See accompanying notes to basic financial statements

CITY OF LAGUNA WOODS

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

June 30, 2016

Fund balances - total governmental funds	\$ 11,016,047
--	---------------

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	\$ 44,197,908	
Accumulated depreciation	<u>(10,414,280)</u>	
		33,783,628

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, 2016 are:

Compensated absences	(81,607)	
OPEB obligation	<u>(50,607)</u>	
		(132,214)

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	69,975	
Deferred inflows of resources	(94,291)	
Pension liability	<u>(398,688)</u>	
		(423,004)

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

<u>357,674</u>

Net position of governmental activities

<u><u>\$ 44,602,131</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, 2016

	General Fund	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes and assessments	\$ 3,724,679	\$ -	\$ 369,994	\$ 4,094,673
Intergovernmental	-	209,303	802,679	1,011,982
Franchise fees	539,107	-	-	539,107
Charges for services	730,203	-	-	730,203
Fines and forfeitures	5,851	-	-	5,851
Investment income	40,421	30	6,454	46,905
Miscellaneous	192,950	-	-	192,950
Total revenues	<u>5,233,211</u>	<u>209,333</u>	<u>1,179,127</u>	<u>6,621,671</u>
EXPENDITURES:				
Current:				
General government	1,519,438	-	-	1,519,438
Public safety	2,521,018	-	100,000	2,621,018
Public works	314,550	346,434	238,639	899,623
Community development	1,104,988	-	2,168	1,107,156
Community services	92,222	-	396,829	489,051
Total expenditures	<u>5,552,216</u>	<u>346,434</u>	<u>737,636</u>	<u>6,636,286</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(319,005)</u>	<u>(137,101)</u>	<u>441,491</u>	<u>(14,615)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	27,528	27,528
Transfers out	(27,528)	-	-	(27,528)
Total other financing sources (uses)	<u>(27,528)</u>	<u>-</u>	<u>27,528</u>	<u>-</u>
Net change in fund balances	<u>(346,533)</u>	<u>(137,101)</u>	<u>469,019</u>	<u>(14,615)</u>
FUND BALANCES (DEFICIT):				
Beginning of year, as originally reported	10,077,145	(190,281)	1,167,580	11,054,444
Prior period adjustment	(122,411)	1,910	96,719	(23,782)
Beginning of year, as restated	<u>9,954,734</u>	<u>(188,371)</u>	<u>1,264,299</u>	<u>11,030,662</u>
End of year	<u>\$ 9,608,201</u>	<u>\$ (325,472)</u>	<u>\$ 1,733,318</u>	<u>\$ 11,016,047</u>

See accompanying notes to basic financial statements

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, 2016

Net change in fund balances - total governmental funds	\$ (14,615)
--	-------------

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	\$ 216,224	
Depreciation expense	<u>(1,764,052)</u>	(1,547,828)

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	28,918	
OPEB expense	<u>38,733</u>	67,651

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.

34,920

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.

(109,564)

Change in net position of governmental activities	<u><u>\$ (1,569,436)</u></u>
--	-------------------------------------

This page intentionally left blank

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2016

(1) Summary of Significant Accounting Policies

The accounting policies of the City of Laguna Woods 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:

- Government-wide financial statements
- Fund financial statements
- 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 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, 2016

(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, and liabilities 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, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. 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, 2016

(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, and liabilities 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, current liabilities and deferred inflows of resources 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, 2016

(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 an *other 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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

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

(c) Fund Classifications, (Continued)

Measure M Special Revenue Fund - The 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.

(d) Cash and Investments

Investments are reported in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings 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. See Note 2 for additional information related to Fair Value Measurements of investments.

(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.

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 statement of net position.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

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

(e) Capital Assets, (Continued)

The ranges of useful lives used for depreciation purposes for each capital asset class are as follows:

Item	Useful Life
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, 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. The City accounts for compensated absences in accordance with GASB Statement No. 16. 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.

(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, 2016

(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 of Laguna Woods 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

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

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

(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.

(k) New Accounting Pronouncements

During the year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *"Fair Value Measurement and Application"*. GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 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"*, was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016. GASB Statement No. 73 did not impact the City.

GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, was required to be implemented in the current fiscal year, and did not impact the City.

GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

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

(k) New Accounting Pronouncements, (Continued)

GASB Statement No. 82, *“Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73”*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

(l) Pending Accounting Standards

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

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”*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, 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 77 - *“Tax Abatement Disclosure”*, effective for periods beginning after December 15, 2015.

GASB 78 - *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.

GASB 79 - *“Certain External Investment Pools and Pool Participants”*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.

GASB 80 - *“Blending Requirements for Certain Component Units”*, effective for periods beginning after June 15, 2016.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

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

(l) Pending Accounting Standards, (Continued)

GASB 81 - “*Irrevocable Split-Interest Agreements*”, effective for periods beginning after December 15, 2016.

GASB 82 - “*Pension Issues*”, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

(m) Fund Balance and Spending Policy

The City follows the provisions of 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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

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

(m) Fund Balance and Spending Policy, (Continued)

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.

(n) 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 two items that qualify for reporting in this category. The first item is the deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability. The second item is the deferred outflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

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 four 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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

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

(n) Deferred Outflows/ Inflows of Resources, (Continued)

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 service lives of all employees that are provided with pensions through the plans, which is 3.8 years. The fourth item is deferred inflow from pensions resulting from change in assumptions. This amount is amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

(o) 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.”

(p) 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, 2016 are classified in the accompanying financial statements as follows:

Statements of Net position:

Cash and investments \$ 11,161,184

Cash and investments held by the City at June 30, 2016 consisted of the following:

Petty Cash	\$ 500
Demand Deposits	396,654
State Treasurer’s Investment Pool (LAIF)	10,764,030
Total cash and investments held by City	\$ 11,161,184

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City of Laguna Woods' 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.				

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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

As of June 30, 2016, the City of Laguna Woods 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:

Remaining Maturity (in Months)					
Investment Type	12 Months or Less	13 to 24 Months	25-60 Months	More than 60 Months	Total
Local Agency Investment Fund (LAIF)	\$ 10,764,030	-	-	-	\$ 10,764,030

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

During the fiscal year ended June 30, 2016, the City of Laguna Woods 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).

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. The following table presents the minimum rating required by (where applicable) the California Government Code, the City of Laguna Woods' investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk, (Continued)

Investment Type	Minimum Legal Rating	Exempt from Disclosure
State investment pool	N/A	\$ 10,764,030

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, 2016, the City of Laguna Woods 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 of Laguna Woods deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, the City of Laguna Woods 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, 2016

(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.

Fair Value Measurements - The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The City's investment in LAIF is not subject to the fair value measurement hierarchy.

(3) Interfund Transactions

Due to/Due from Other Funds

Current interfund receivables and payables balances at June 30, 2016 are as follows:

Receivable Fund	Payable Fund	Amount (a)
General Fund	Measure M Special Revenue Fund	\$ 256,170
	Nonmajor Governmental Funds	62,402
	Total Interfund Receivables and Payables	\$ 318,572
	Total General Fund	\$ 318,572
(a) The amounts owed represent short-term borrowings to manage cash flows		

Interfund Transfers

Interfund transfers at June 30, 2016 consisted of the following:

Transfers In:	Transfers Out:	Total Funds Transferred
Other Governmental Funds	General Fund	\$ 27,528

Transfers from the General Fund to the Other Governmental Funds (Senior Mobility Nonmajor Special Revenue Fund) were budgeted transfers to fund program activities.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(4) Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,916,750	\$ -	\$ -	\$ 6,916,750
Construction in Progress	80,809	216,224	80,809	216,224
Total capital assets not being depreciated	6,997,559	216,224	80,809	7,132,974
Capital assets being depreciated:				
Building	2,563,250	-	-	2,563,250
Building improvements	736,647	-	-	736,647
Furniture and equipment	212,231	-	-	212,231
Infrastructure (a)	33,471,997	80,809	-	33,552,806
Total capital assets being depreciated	36,984,125	80,809	-	37,064,934
Less accumulated depreciation for:				
Building	366,179	73,236	-	439,415
Building improvements	720,942	5,470	-	726,412
Furniture and equipment	196,557	7,706	-	204,263
Infrastructure (a)	7,366,550	1,677,640	-	9,044,190
Total accumulated depreciation	8,650,228	1,764,052	-	10,414,280
Net total capital assets being depreciated	28,333,897	(1,683,243)	-	26,650,654
Total capital assets, net of accumulated depreciation	\$ 35,331,456	\$ (1,467,019)	\$ 80,809	\$ 33,783,628

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(4) Capital Assets, (Continued)

Depreciation expense was charged to functions as follows:

General government	\$ 86,412
Public works	1,677,640
Total	\$ 1,764,052

Construction commitments at year-end were as follows:

	Spent-to-date	Remaining Commitment
Moulton Smart Street Project – landscape architect and engineering, Phase 2 (Water Efficient Medians)	\$ 124,174	\$ 348,816
Dairy Fork Constructed Wetland Project	52,966	6,990
El Toro Road Traffic Signal Synchronization Project	69,770	572,730
Moulton Parkway Traffic Signal Synchronization Project	106,689	701,361
Santa Maria Ave Bioswale Project (cost to date excludes retention payable \$2,250)	45,158	11,123

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 were as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 110,526	\$ 46,599	(\$ 75,518)	\$ 81,607	\$ 55,758
Net OPEB obligation	89,340	24,576	(63,309)	50,607	2,798
Total Long-Term Liabilities	\$ 199,866	\$ 71,175	(\$ 138,827)	\$ 132,214	\$ 58,556

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(6) Individual Fund Disclosures

Deficit Fund Balances

For the year ended June 30, 2016, the following funds had deficit fund balances:

Major Special Revenue Funds:

Measure M	\$ 325,472
-----------	------------

Other Governmental Funds –

Nonmajor Special Revenue Fund:

Community Development Block Grant	13,243
-----------------------------------	--------

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

(7) Risk Management

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

The City of Laguna Woods is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(7) Risk Management, (Continued)

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

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.

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 2015-16 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) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority.

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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(7) Risk Management, (Continued)

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

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) 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 \$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.

For 2015-16 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 of Laguna Woods 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 of Laguna Woods. 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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(7) Risk Management, (Continued)

(c) Purchased Insurance, (Continued)

Property Insurance

The City of Laguna Woods participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Laguna Woods property is currently insured according to a schedule of covered property submitted by the City of Laguna Woods to the Authority. City of Laguna Woods property currently has all-risk property insurance protection in the amount of \$4,443,058. 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.

Earthquake and Flood Insurance

The City of Laguna Woods 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 of Laguna Woods property currently has earthquake protection in the amount of \$4,413,968. 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 of Laguna Woods 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 2015-16.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(8) Joint Venture

Orange County Fire Authority

In 1999, the City of Laguna Woods entered into a joint powers agreement that now includes 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, Santa Ana, 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. 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, Santa Ana 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, Santa Ana and Seal Beach are considered "cash contract cities" and accordingly make cash contributions based on the Authority's annual budget. The City of Laguna Woods 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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(9) Defined Benefit Pension Plan, (Continued)

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after 5 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.

The Plans' provisions and benefits in effect at June 30, 2016, 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	7.000%	N/A
Required employer contribution rates	9.476%	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, 2016

(9) Defined Benefit Pension Plan, (Continued)

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

As of June 30, 2016, 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>\$ 398,688</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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	0.01613%
Proportion - June 30, 2015	0.01418%
Change - Increase (Decrease)	-0.00195%

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(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, 2016, the City recognized pension expense of \$29,980. At June 30, 2016, 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	\$ 64,900	\$ -
Differences between actual and expected experience	5,075	-
Change in assumptions	-	(48,014)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(24,070)
Net differences between projected and actual earnings on plan investments	-	(22,207)
Total	<u>\$ 69,975</u>	<u>\$ (94,291)</u>

\$64,900 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, 2017. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(9) Defined Benefit Pension Plan, (Continued)

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

Year Ending June 30,	Amount
2017	\$ (48,631)
2018	(44,661)
2019	(26,688)
2020	30,764
2021	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	<u>Miscellaneous</u> June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(9) Defined Benefit Pension Plan, (Continued)

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

Actuarial Assumptions, (Continued)

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% 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 of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, 2016

(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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	Allocation	1 - 10 (a)	11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	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, 2016

(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:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 747,344
Current Discount Rate	7.65%
Net Pension Liability	\$ 398,688
1% Increase	8.65%
Net Pension Liability	\$ 110,832

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, 2016, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Year Ended June 30, 2016

(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 7 eligible active employees and 3 enrolled eligible retirees at June 30, 2016. 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, 2016, the City contributed an annual insurance premium payment of \$2,798 to the plan as well as prefunding of an OPEB Trust as discussed below.

OPEB Trust: The City established an OPEB Trust to prefund future OPEB costs in February 2016 with a goal of maintaining an 80% funding status. Prefunding allows the City to reduce future costs by generating investment income which reduces future employer cash flow requirements necessary to offset annual costs. Prefunding of the trust was established with a one-time contribution of \$60,511. The trust realized earnings of \$4,304 as of June 30, 2016.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment 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, 2016, was \$13,632. 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:

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

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

Annual required contribution	\$ 13,632
Interest on net OPEB obligation	5,360
Adjustments to annual required contributions	5,584
Annual OPEB cost (expense)	24,576
Contributions made (Note A)	(63,309)
Decrease in net OPEB obligation	(38,733)
Net OPEB obligation-beginning of year	89,340
Net OPEB obligation-end of year	\$ 50,607

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year	Actual Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$ 2,471	\$ 12,579	19.64%	\$ 69,640
6/30/15	2,098	21,798	9.62%	89,340
6/30/16 (Note A)	63,309	24,576	257.61%	50,607

Note A: The City's contributions of \$63,309 for the current year ended June 30, 2016 include the insurance premiums paid of \$2,798 and \$60,511 contributed to establish the OPEB Trust.

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation date of July 1, 2015 was as follows:

Actuarial accrued liability (AAL)	\$ 75,638
Actuarial value of plan assets	- (Unfunded)
Actuarial accrued liability (UAAL)	\$ 75,638
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$559,977
UAAL as a percentage of covered payroll	13.51%

Due to the establishment of the OPEB trust, the funded status is anticipated to be at or above 80% with the next calculation.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

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

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.

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.

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(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, 2016 for the various classifications of fund balance.

(12) 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.

(13) Restatement of Net Position and Fund Balance

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 balance and net position as of July 1, 2015:

	General Fund	Major Special Revenue Funds	Nonmajor Special Revenue Funds
Fund balance (deficit) – beginning of year, as previously reported	\$10,077,145	(\$190,281)	\$ 1,167,580
To adjust for special revenue funds classified as general fund in the prior years	(98,629)	1,910	96,719
To adjust for taxes payable and accrued liabilities not recorded in prior years	(23,782)	0	0
Fund balance (deficit) – beginning of year, as restated	\$ 9,954,734	(\$188,371)	\$1,264,299

CITY OF LAGUNA WOODS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

Year Ended June 30, 2016

(13) Restatement of Net Position and Fund Balance, (Continued)

The following summarizes the effect of the prior period adjustments to beginning net position as of July 1, 2015:

Government-Wide Statement of Net Position

Net Position-beginning of year, as previously reported	\$ 46,195,349
To adjust for taxes payable and accrued liabilities not recorded in prior years	<u>(23,782)</u>
Net Position-beginning of year, as restated	<u>\$ 46,171,567</u>

(14) Subsequent Events

Management has evaluated subsequent events through December 8, 2016, 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, 2016

Last Ten Fiscal Years*

Fiscal year ended Measurement period	<u>June 30, 2016</u> <u>June 30, 2015</u>	<u>June 30, 2015</u> <u>June 30, 2014</u>
Plan's proportion of the net pension liability	0.00581%	0.00641%
Plan's proportionate share of the net pension liability	\$ 398,688	\$ 398,648
Plan's covered - employee payroll	\$ 716,484	\$ 825,725
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	55.65%	48.28%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.40%	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 74,766	\$ 52,739

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

CITY OF LAGUNA WOODS
SCHEDULE OF CONTRIBUTIONS

For the year ended June 30, 2016

Last Ten Fiscal Years*

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 6,231	\$ 79,169
Contributions in relation to the actuarially determined contributions	<u>(6,231)</u>	<u>(79,169)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 729,196	\$ 716,484
Contributions as a percentage of covered - employee payroll	0.85%	11.05%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years 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 two years are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF LAGUNA WOODS

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2016

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%
07/01/15	-	75,638	75,638	0.00%	559,977	13.51%

(Note - In the fiscal year ended June 30, 2016, the City contributed \$60,511 to an Other Post-Employment Benefit Trust. That contribution and related earnings will be reflected in a future actuarial study. The next actuarial study is to be issued in 2017.

CITY OF LAGUNA WOODS

MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2016

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.

CITY OF LAGUNA WOODS

BUDGETARY COMPARISON SHCHEDULE
GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property tax	\$ 2,114,000	\$ 2,114,000	\$ 2,182,789	\$ 68,789
Property transfer tax	81,000	81,000	94,807	13,807
Sales tax	942,000	942,000	971,157	29,157
Transient occupancy tax	452,000	452,000	475,926	23,926
Franchise fee	611,000	611,000	539,107	(71,893)
Charges for services	623,000	623,000	730,203	107,203
Fines and forfeitures	10,000	10,000	5,851	(4,149)
Investment income	48,000	48,000	40,421	(7,579)
Miscellaneous	158,000	158,000	192,950	34,950
Total revenues	<u>5,039,000</u>	<u>5,039,000</u>	<u>5,233,211</u>	<u>194,211</u>
EXPENDITURES:				
Current:				
City council	74,785	24,785	19,545	5,240
Administrative services	747,288	708,835	682,923	25,912
General government	8,165	920,655	816,970	103,685
Public safety	2,522,765	2,552,765	2,521,018	31,747
Public works	220,629	324,969	314,550	10,419
Community development	1,241,783	1,268,037	1,104,988	163,049
Community services	8,165	94,565	92,222	2,343
Total expenditures	<u>4,823,580</u>	<u>5,894,611</u>	<u>5,552,216</u>	<u>342,395</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>215,420</u>	<u>(855,611)</u>	<u>(319,005)</u>	<u>536,606</u>
OTHER FINANCING USES:				
Transfers out	-	(27,528)	(27,528)	-
Total other financing uses	<u>-</u>	<u>(27,528)</u>	<u>(27,528)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 215,420</u>	<u>\$ (883,139)</u>	<u>(346,533)</u>	<u>\$ 536,606</u>
FUND BALANCE:				
Beginning of year, as originally reported			10,077,145	
Prior period adjustment			<u>(122,411)</u>	
Beginning of year, as restated			<u>9,954,734</u>	
End of year			<u>\$ 9,608,201</u>	

CITY OF LAGUNA WOODS

BUDGETARY COMPARISON SHCEDULE
MEASURE M SPECIAL REVENUE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 327,880	\$ 1,421,580	\$ 209,303	\$ (1,212,277)
Investment income	-	-	30	30
Total revenues	<u>327,880</u>	<u>1,421,580</u>	<u>209,333</u>	<u>(1,212,247)</u>
EXPENDITURES:				
Current:				
Public works	<u>311,880</u>	<u>1,405,580</u>	<u>346,434</u>	<u>1,059,146</u>
Total expenditures	<u>311,880</u>	<u>1,405,580</u>	<u>346,434</u>	<u>1,059,146</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>(137,101)</u>	<u>\$ (153,101)</u>
FUND BALANCE (DEFICIT):				
Beginning of year, as originally reported			(190,281)	
Prior period adjustment			<u>1,910</u>	
Beginning of year, as restated			<u>(188,371)</u>	
End of year			<u>\$ (325,472)</u>	

CITY OF LAGUNA WOODS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

(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 \$290,841, and capital project budget carryovers totaling \$1,398,155.

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

SUPPLEMENTARY INFORMATION

This page intentionally left blank

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.

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.

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 (CDBG) 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, 2016

	Special Revenue Funds			
	Gas Tax	Proposition 1B- State and Local Partnership Program	Traffic Mitigation Fees	Supplemental Law Enforcement Program
ASSETS				
Cash and investments	\$ 883,186	\$ -	\$ 447,138	\$ 16,476
Receivables:				
Accounts	-	-	-	-
Due from other governments	942	-	581	29,488
Total assets	\$ 884,128	\$ -	\$ 447,719	\$ 45,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,417	\$ -	\$ 2,252	\$ 1,934
Unearned revenue				
Due to other funds	-	-	11,072	-
Total liabilities	15,417	-	13,324	1,934
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	29,324
Total deferred inflows of resources	-	-	-	29,324
Fund Balances (Deficit):				
Restricted for:				
Public works	868,711	-	434,395	-
Community development	-	-	-	-
Community services	-	-	-	-
Public safety	-	-	-	14,706
Unassigned	-	-	-	-
Total fund balances (deficit)	868,711	-	434,395	14,706
Total liabilities, deferred inflows of resources and fund balances	\$ 884,128	\$ -	\$ 447,719	\$ 45,964

Special Revenue Funds (Continued)

Air Quality Improvement	Senior Mobility	CDBG	PEG/Cable Television	Grants	Total Other Governmental Funds
\$ 108,694	\$ 28,381	\$ -	\$ 55,949	\$ 262,891	\$ 1,802,715
-	-	-	780	-	780
5,830	57,285	40,454	70	332	134,982
<u>\$ 114,524</u>	<u>\$ 85,666</u>	<u>\$ 40,454</u>	<u>\$ 56,799</u>	<u>\$ 263,223</u>	<u>\$ 1,938,477</u>
\$ -	\$ 33,519	\$ 9,050	\$ -	\$ 64	\$ 62,236
-	-	35,597	-	15,733	62,402
-	33,519	44,647	-	15,797	124,638
-	42,147	9,050	-	-	80,521
-	42,147	9,050	-	-	80,521
-	-	-	-	150,218	1,453,324
114,524	-	-	-	62,082	176,606
-	10,000	-	56,799	-	66,799
-	-	-	-	35,126	49,832
-	-	(13,243)	-	-	(13,243)
<u>114,524</u>	<u>10,000</u>	<u>(13,243)</u>	<u>56,799</u>	<u>247,426</u>	<u>1,733,318</u>
<u>\$ 114,524</u>	<u>\$ 85,666</u>	<u>\$ 40,454</u>	<u>\$ 56,799</u>	<u>\$ 263,223</u>	<u>\$ 1,938,477</u>

CITY OF LAGUNA WOODS

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

For the Year Ended June 30, 2016

	Special Revenue Funds			
	Gas Tax	Proposition 1B- State and Local Partnership Program	Traffic Mitigation Fees	Supplemental Law Enforcement Program
REVENUES:				
Taxes and assessments	\$ 369,994	\$ -	\$ -	\$ -
Intergovernmental	-	293,000	-	114,617
Investment income	2,745	-	1,900	70
Total revenues	372,739	293,000	1,900	114,687
EXPENDITURES:				
Current:				
Public safety	-	-	-	100,000
Public works	192,889	-	45,750	-
Community development	-	-	-	-
Community services	-	-	-	-
Total expenditures	192,889	-	45,750	100,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	179,850	293,000	(43,850)	14,687
OTHER FINANCING SOURCES:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
NET CHANGE IN FUND BALANCES	179,850	293,000	(43,850)	14,687
FUND BALANCES (DEFICITS):				
Beginning of year, as originally reported	592,142	(293,000)	478,245	19
Prior period adjustment	96,719	-	-	-
Beginning of year, as restated	688,861	(293,000)	478,245	19
End of year	<u>\$ 868,711</u>	<u>\$ -</u>	<u>\$ 434,395</u>	<u>\$ 14,706</u>

Special Revenue Funds (Continued)

Air Quality Improvement	Senior Mobility	CDBG	PEG/Cable Television	Grants	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,994
21,082	244,060	106,581	13,409	9,930	802,679
391	127	-	196	1,025	6,454
21,473	244,187	106,581	13,605	10,955	1,179,127
-	-	-	-	-	100,000
-	-	-	-	-	238,639
-	-	-	-	2,168	2,168
-	280,639	116,190	-	-	396,829
-	280,639	116,190	-	2,168	737,636
21,473	(36,452)	(9,609)	13,605	8,787	441,491
-	27,528	-	-	-	27,528
-	27,528	-	-	-	27,528
21,473	(8,924)	(9,609)	13,605	8,787	469,019
93,051	18,924	(3,634)	43,194	238,639	1,167,580
-	-	-	-	-	96,719
93,051	18,924	(3,634)	43,194	238,639	1,264,299
\$ 114,524	\$ 10,000	\$ (13,243)	\$ 56,799	\$ 247,426	\$ 1,733,318

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, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 403,000	\$ 403,000	\$ 369,994	\$ (33,006)
Investment income	-	-	2,745	2,745
Total revenues	<u>403,000</u>	<u>403,000</u>	<u>372,739</u>	<u>(30,261)</u>
EXPENDITURES:				
Current:				
Public works	<u>298,000</u>	<u>322,500</u>	<u>192,889</u>	<u>129,611</u>
Total expenditures	<u>298,000</u>	<u>322,500</u>	<u>192,889</u>	<u>129,611</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 105,000</u>	<u>\$ 80,500</u>	<u>179,850</u>	<u>\$ 99,350</u>
FUND BALANCE:				
Beginning of year, as originally reported			592,142	
Prior period adjustment			<u>96,719</u>	
Beginning of year, as restated			<u>688,861</u>	
End of year			<u>\$ 868,711</u>	

CITY OF LAGUNA WOODS

BUDGETARY COMPARISON SHCHEDULE
TRAFFIC MITIGATION FEES SPECIAL REVENUE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ -	\$ -	\$ 1,900	\$ 1,900
Total revenues	<u>-</u>	<u>-</u>	<u>1,900</u>	<u>1,900</u>
EXPENDITURES:				
Current:				
Public works	<u>43,500</u>	<u>43,500</u>	<u>45,750</u>	<u>(2,250)</u>
Total expenditures	<u>43,500</u>	<u>43,500</u>	<u>45,750</u>	<u>(2,250)</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>\$ (43,500)</u>	<u>\$ (43,500)</u>	<u>(43,850)</u>	<u>\$ (350)</u>
FUND BALANCE:				
Beginning of year			<u>478,245</u>	
End of year			<u>\$ 434,395</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, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 114,617	\$ 14,617
Investment income	-	-	70	70
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>114,687</u>	<u>14,687</u>
EXPENDITURES:				
Current:				
Public safety	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	14,687	<u>\$ 14,687</u>
FUND BALANCE:				
Beginning of year			<u>19</u>	
End of year			<u>\$ 14,706</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, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 21,082	\$ 1,082
Investment income	-	-	391	391
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>21,473</u>	<u>1,473</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>	21,473	<u>\$ 1,473</u>
FUND BALANCE:				
Beginning of year			<u>93,051</u>	
End of year			<u>\$ 114,524</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, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 221,500	\$ 221,500	\$ 244,060	\$ 22,560
Investment income	-	-	127	127
Total revenues	<u>221,500</u>	<u>221,500</u>	<u>244,187</u>	<u>22,687</u>
EXPENDITURES:				
Current:				
Community services	<u>220,000</u>	<u>220,000</u>	<u>280,639</u>	<u>(60,639)</u>
Total expenditures	<u>220,000</u>	<u>220,000</u>	<u>280,639</u>	<u>(60,639)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,500</u>	<u>1,500</u>	<u>(36,452)</u>	<u>(37,952)</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>27,528</u>	<u>27,528</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>27,528</u>	<u>27,528</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>(8,924)</u>	<u>\$ (10,424)</u>
FUND BALANCE:				
Beginning of year			<u>18,924</u>	
End of year			<u>\$ 10,000</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, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 133,165	\$ 133,165	\$ 106,581	\$ (26,584)
Total revenues	<u>133,165</u>	<u>133,165</u>	<u>106,581</u>	<u>(26,584)</u>
EXPENDITURES				
Current:				
Community services	<u>133,165</u>	<u>133,165</u>	<u>116,190</u>	<u>16,975</u>
Total expenditures	<u>133,165</u>	<u>133,165</u>	<u>116,190</u>	<u>16,975</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(9,609)	<u>\$ (9,609)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(3,634)</u>	
End of year			<u>\$ (13,243)</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, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 13,400	\$ 13,400	\$ 13,409	\$ 9
Investment income	-	-	196	196
Total revenues	<u>13,400</u>	<u>13,400</u>	<u>13,605</u>	<u>205</u>
EXPENDITURES:				
Current:				
Community services	<u>13,400</u>	<u>13,400</u>	-	<u>13,400</u>
Total expenditures	<u>13,400</u>	<u>13,400</u>	-	<u>13,400</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	13,605	<u>\$ 13,605</u>
FUND BALANCE:				
Beginning of year			<u>43,194</u>	
End of year			<u>\$ 56,799</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, 2016

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 9,930	\$ (70)
Investment income	-	-	1,025	1,025
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>10,955</u>	<u>955</u>
EXPENDITURES:				
Current:				
Public works	35,040	148,700	-	148,700
Community development	<u>10,000</u>	<u>10,000</u>	<u>2,168</u>	<u>7,832</u>
Total expenditures	<u>45,040</u>	<u>158,700</u>	<u>2,168</u>	<u>156,532</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (35,040)</u>	<u>\$ (148,700)</u>	8,787	<u>\$ 157,487</u>
FUND BALANCE:				
Beginning of year			<u>238,639</u>	
End of year			<u>\$ 247,426</u>	

This page intentionally left blank

STATISTICAL SECTION

This page intentionally left blank

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2016

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.	90
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	100
<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.	112
<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.	117

CITY OF LAGUNA WOODS
NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 8,651,256	\$ 9,054,330	\$ 10,218,649	\$ 17,891,721
Restricted	923,518	615,239	591,290	2,702,280
Unrestricted	14,023,873	15,631,995	14,441,848	7,261,961
Total governmental activities net position	<u>\$ 23,598,647</u>	<u>\$ 25,301,564</u>	<u>\$ 25,251,787</u>	<u>\$ 27,855,962</u>

Note:

(1) The City has no business type activities.

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

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30,					
2011	2012	2013 as restated	2014 as restated	2015	2016
\$ 20,428,076	\$ 20,473,643	\$ 22,474,259	\$ 27,395,543	\$ 35,331,456	\$ 33,783,628
165,250	171,390	920,587	669,420	1,464,214	1,747,163
6,990,401	7,708,348	8,115,566	8,289,008	9,399,679	9,071,340
<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>	<u>\$ 44,602,131</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,			
	2007	2008	2009	2010
Expenses:				
Governmental activities:				
General government	\$ 1,736,278	\$ 1,822,451	\$ 2,184,728	\$ 1,943,324
Public safety	1,541,013	1,562,790	1,652,367	1,756,569
Public works	2,048,856	1,230,035	1,255,018	1,594,940
Community development	609,066	817,237	702,813	616,934
Community services	170,226	231,941	420,018	366,327
Total governmental activities expenses	<u>6,105,439</u>	<u>5,664,454</u>	<u>6,214,944</u>	<u>6,278,094</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	150,401	132,470	15,186	140,157
Public safety	380,086	425,158	324,999	449,314
Public works	321	-	-	-
Community development	-	-	-	377,082
Community services	284,227	391,673	316,669	-
Operating grants and contributions	1,654,306	2,008,063	1,300,228	4,362,757
Capital grants and contributions	<u>114,716</u>	<u>100,002</u>	<u>115,743</u>	<u>80,666</u>
Total governmental activities program revenues	<u>2,584,057</u>	<u>3,057,366</u>	<u>2,072,825</u>	<u>5,409,976</u>
Net revenues (expenses):	<u>\$ (3,521,382)</u>	<u>\$ (2,607,088)</u>	<u>\$ (4,142,119)</u>	<u>\$ (868,118)</u>

Note:

(1) The City has no business type activities.

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

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30,					
2011	2012	2013 as restated	2014 as restated	2015	2016
\$ 2,152,892	\$ 1,427,072	\$ 1,652,166	\$ 1,582,672	\$ 1,378,555	\$ 1,503,279
1,715,908	1,617,293	1,738,531	1,865,156	1,623,288	2,606,312
1,573,552	1,474,254	165,783	2,090,472	2,588,172	2,481,180
838,745	801,271	850,354	700,826	1,102,273	1,107,156
409,631	521,797	440,732	434,773	346,288	487,854
<u>6,690,728</u>	<u>5,841,687</u>	<u>4,847,566</u>	<u>6,673,899</u>	<u>7,038,576</u>	<u>8,185,781</u>
187,584	257,340	121,094	118,820	150,814	90,343
355,642	204,592	258,636	248,537	25,810	5,851
-	-	-	-	699,984	730,203
353,430	422,952	580,765	535,675	-	-
-	30,000	5,319	38,547	-	-
2,143,059	1,852,654	3,011,819	1,485,564	1,419,207	1,176,753
<u>100,099</u>	<u>100,032</u>	<u>100,000</u>	<u>1,457,217</u>	<u>10,376,299</u>	<u>205,231</u>
<u>3,139,814</u>	<u>2,867,570</u>	<u>4,077,633</u>	<u>3,884,360</u>	<u>12,672,114</u>	<u>2,208,381</u>
<u>\$ (3,550,914)</u>	<u>\$ (2,974,117)</u>	<u>\$ (769,933)</u>	<u>\$ (2,789,539)</u>	<u>\$ 5,633,538</u>	<u>\$ (5,977,400)</u>

CITY OF LAGUNA WOODS

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 253,529	\$ 319,982	\$ 270,622	\$ 295,612
Property taxes in lieu of VLF	1,623,484	1,598,158	1,770,344	1,743,438
Sales taxes	1,109,456	1,072,091	876,848	798,046
Franchise fees	370,815	388,054	391,352	389,574
Transient occupancy taxes	443,860	457,607	348,280	340,856
Investment income	482,589	467,198	210,934	62,358
Miscellaneous income	40,790	6,915	9,387	6,687
Total governmental activities	<u>4,324,523</u>	<u>4,310,005</u>	<u>3,877,767</u>	<u>3,636,571</u>
Net program revenues/(expense)	<u>(3,521,382)</u>	<u>(2,607,088)</u>	<u>(4,142,119)</u>	<u>(868,118)</u>
Changes in net position:				
Governmental activities	<u>\$ 803,141</u>	<u>\$ 1,702,917</u>	<u>\$ (264,352)</u>	<u>\$ 2,768,453</u>

Note:

(1) The City has no business type activities.

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

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30,					
2011	2012	2013 as restated	2014 as restated	2015	2016
\$ 241,632	\$ 229,802	\$ 384,386	\$ 289,177	\$ 308,786	\$ 328,168
1,732,818	1,627,101	1,649,600	1,557,290	1,803,982	1,949,418
840,953	855,533	850,241	980,556	908,621	984,031
389,820	607,785	688,948	628,027	604,739	626,027
350,660	396,797	404,110	443,361	452,293	475,926
46,628	26,753	20,438	19,428	26,810	44,394
37,389	-	-	-	102,609	-
<u>3,639,900</u>	<u>3,743,771</u>	<u>3,997,723</u>	<u>3,917,839</u>	<u>4,207,840</u>	<u>4,407,964</u>
<u>(3,550,914)</u>	<u>(2,974,117)</u>	<u>(769,933)</u>	<u>(2,789,539)</u>	<u>5,633,538</u>	<u>(5,977,400)</u>
<u>\$ 88,986</u>	<u>\$ 769,654</u>	<u>\$ 3,227,790</u>	<u>\$ 1,128,300</u>	<u>\$ 9,841,378</u>	<u>\$ (1,569,436)</u>

CITY OF LAGUNA WOODS
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
General fund:				
Reserved	\$ 4,150,000	\$ 4,160,679	\$ 4,267,545	\$ 500,000
Unreserved	9,265,530	9,959,588	9,472,573	6,746,610
Total general fund	<u>\$ 13,415,530</u>	<u>\$ 14,120,267</u>	<u>\$ 13,740,118</u>	<u>\$ 7,246,610</u>
 All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	576,519	952,178	637,441	2,702,280
Debt service funds	-	-	-	-
Capital projects funds	563,436	299,374	184,024	151,349
Total all other governmental funds	<u>\$ 1,139,955</u>	<u>\$ 1,251,552</u>	<u>\$ 821,465</u>	<u>\$ 2,853,629</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.

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30,					
2011	2012	2013 as restated	2014 as restated	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 104,107	\$ -	\$ -	\$ -	\$ -	\$ 66,466
-	-	-	32,300	-	-
763,235	1,021,165	1,859,674	1,774,782	1,728,998	679,260
<u>6,269,079</u>	<u>6,815,516</u>	<u>6,845,440</u>	<u>7,485,338</u>	<u>8,348,147</u>	<u>8,862,475</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>	<u>\$ 9,608,201</u>
\$ -		\$ -	\$ -	\$ -	\$ -
165,250	1,005,889	920,587	561,920	1,464,214	1,746,561
-	-	-	-	-	-
-	(923,251)	(358,308)	(852,083)	(486,915)	(338,715)
<u>\$ 165,250</u>	<u>\$ 82,638</u>	<u>\$ 562,279</u>	<u>\$ (290,163)</u>	<u>\$ 977,299</u>	<u>\$ 1,407,846</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,			
	2007	2008	2009	2010
Revenues:				
Taxes and assessments	\$ 1,034,664	\$ 1,111,395	\$ 923,977	\$ 1,682,332
Intergovernmental	4,132,500	4,199,636	4,194,778	6,330,845
Franchise fees	365,815	393,239	391,352	389,576
Charges for services	347,924	414,330	329,185	517,854
Fines and forfeitures	380,086	287,923	324,999	449,315
Investment income	523,208	451,607	225,233	70,561
Miscellaneous	51,119	6,727	11,887	6,064
Total revenues	<u>6,835,316</u>	<u>6,864,857</u>	<u>6,401,411</u>	<u>9,446,547</u>
Expenditures				
Current:				
General government	1,220,383	1,363,726	1,459,638	8,299,925
Public safety	1,541,013	1,577,904	1,666,666	1,756,569
Public works	2,192,399	2,057,715	2,964,225	2,916,620
Community development	609,066	817,237	702,813	616,934
Community services	170,226	231,941	420,018	366,327
Capital outlay	-	-	-	-
Total expenditures	<u>5,733,087</u>	<u>6,048,523</u>	<u>7,213,360</u>	<u>13,956,375</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,102,229</u>	<u>816,334</u>	<u>(811,949)</u>	<u>(4,509,828)</u>
Other financing sources (uses):				
Transfers in	-	493,918	1,004,929	53,654
Transfers out	-	(493,918)	(1,004,929)	(53,654)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,102,229</u>	<u>\$ 816,334</u>	<u>\$ (811,949)</u>	<u>\$ (4,509,828)</u>

Source: City of Laguna Woods, Administrative Services Department

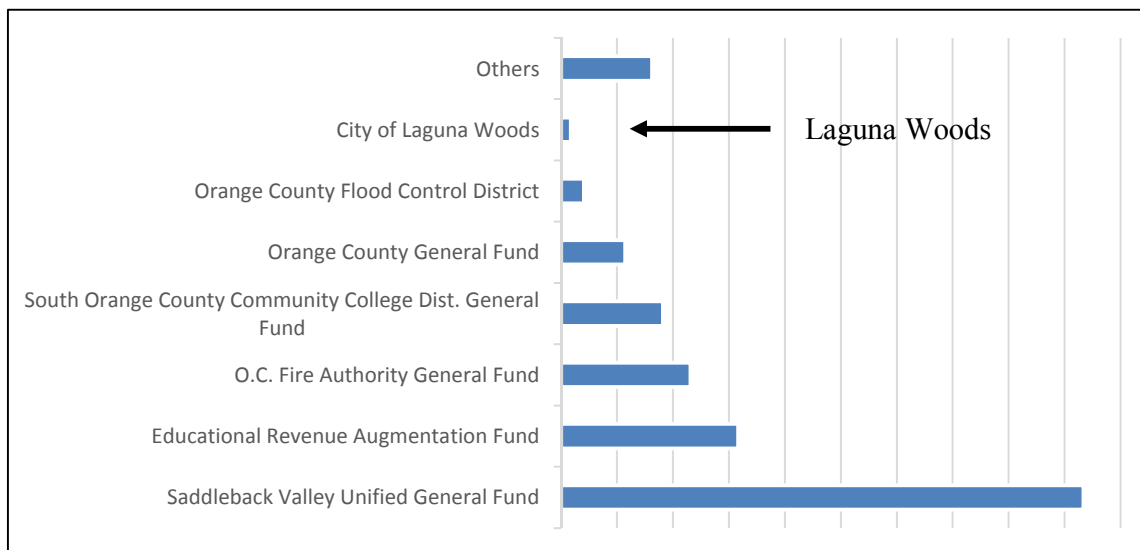
Fiscal Year Ended June 30,					
2011	2012	2013 as restated	2014 as restated	2015	2016
\$ 1,904,699	\$ 1,985,268	\$ 2,085,041	\$ 3,828,708	\$ 4,005,500	\$ 4,094,673
3,499,723	2,962,692	4,424,819	1,763,196	1,769,480	1,011,982
389,821	607,787	688,949	628,028	604,739	539,107
494,431	623,471	689,184	610,251	699,984	730,203
355,642	210,089	259,561	248,089	25,810	5,851
51,432	28,979	22,724	19,428	24,300	46,905
83,966	81,112	17,021	123,340	150,814	192,950
<u>6,779,714</u>	<u>6,499,398</u>	<u>8,187,299</u>	<u>7,221,040</u>	<u>7,280,627</u>	<u>6,621,671</u>
2,068,618	1,352,679	1,566,398	1,660,037	1,259,342	1,519,438
1,715,908	1,617,293	1,738,531	1,865,156	1,637,906	2,621,018
4,184,158	1,588,710	2,243,210	2,825,384	885,016	899,623
838,745	801,271	850,354	700,826	1,102,273	1,107,156
409,631	521,797	440,732	434,773	343,903	489,051
-	-	-	-	-	-
<u>9,217,060</u>	<u>5,881,750</u>	<u>6,839,225</u>	<u>7,486,176</u>	<u>5,228,440</u>	<u>6,636,286</u>
<u>(2,437,346)</u>	<u>617,648</u>	<u>1,348,074</u>	<u>(265,136)</u>	<u>2,052,187</u>	<u>(14,615)</u>
27,505	71,738	-	25,000	-	27,528
<u>(27,505)</u>	<u>(71,738)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>(27,528)</u>
-	-	-	-	-	-
<u>\$ (2,437,346)</u>	<u>\$ 617,648</u>	<u>\$ 1,348,074</u>	<u>\$ (265,136)</u>	<u>\$ 2,052,187</u>	<u>\$ (14,615)</u>

CITY OF LAGUNA WOODS
PROPERTY TAX DOLLAR BREAKDOWN

For Fiscal Year 2015-16

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



Source: Orange County Assessor - FY 2015-16 Annual Tax Increment Tables
HdL, Coren & Cone

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	0.00947	0.01019	0.00971	0.01077	0.01105	0.01101	0.01171	0.00972	0.00900	0.00845
Laguna Beach										
Unified	0.01720	0.01808	0.01544	0.01683	0.01582	0.01601	0.01694	0.01567	0.01461	0.01396
Metropolitan										
Water Dist.	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350
Saddleback										
Valley										
Unified	0.03694	0.02668	0.02834	0.03043	0.03194	0.03163	0.03265	0.03207	0.02806	0.03008
Total Direct & Overlapping Tax Rates	<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>	<u>1.05599</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 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 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.

Source: Orange County Assessor - 2006-07 through 2015-16 Tax Rate Table
HdL, Coren & Cone

CITY OF LAGUNA WOODS

OVERLAPPING DEBT

As of June 30, 2016
(rate per \$100 of taxable value)

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
Overlapping Debt			
628.01 CAPISTRANO UNION SFID#1 1999 BOND #2002C	20,215,000	0.049%	10,002
629.01 CAPISTRANO UNION SFID#1 1999 BOND #2001B	9,557,521	0.049%	4,729
6AB.01 SADDLEBACK VALLEY USD 2004 BOND #2004A, 2013REF	68,160,000	7.030%	4,791,813
6AW.01 SADDLEBACK VALLEY USD 2004 SERIES #2007A, 2016REF	35,060,000	7.030%	2,464,803
6BM.01 LAGUNA BEACH USD 2010 GO REFUNDING BOND SADDLEBACK VALLEY USD 2004 REFUNDING BOND	26,090,000	0.876%	228,663
6CZ.01 SERIES 2013A, 2016REF	18,650,000	7.030%	1,311,140
C55.14 METROPOLITAN WATER DISTRICT (1)	18,880,261	0.588%	110,936
Total Overlapping Debt			8,922,086

Fiscal Year 2015-16 Assessed Valuation:

\$2,620,349,106 After Deducting \$0 Incremental Value

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	0.34%
	Total Debt	0.34%

Notes:

- (1) This fund is a portion of a larger agency, and is responsible for debt in areas outside the city.
- (2) This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the City. The City of Laguna Woods has issued no such bonds or instruments.
- (3) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: Orange County Assessor and Auditor-Controller - Combined FY 2015-16 Lien Date Tax Rolls
HdL, Coren & Cone

CITY OF LAGUNA WOODS

TOP TEN PROPERTY TAXPAYERS - FY 2006-07

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*	97	\$729,296,828	34.87%	46	\$1,412,665	5.13%
2) Raintree Realty LLC*	3	\$24,834,939	1.19%			
3) SHP II Rossmoor LLC	1	\$19,347,772	0.93%			
4) Laguna Hills Assisted I LP Gate Three HC*	2	\$15,215,649	0.73%	3	\$1,899,319	6.90%
5) KPL Villas LLC	1	\$15,911,367	0.76%	2	\$91,126	0.33%
6) Camino Oaks Limited	3	\$11,460,544	0.55%			
7) Ayres-Laguna Woods LP	1	\$9,182,353	0.44%	1	\$1,270,971	4.62%
8) Home Depot USA Inc	3	\$7,460,931	0.36%	2	\$1,911,294	6.94%
9) Ferrucci Properties LLC	1	\$9,300,136	0.44%			
10) Mark IV Capital Inc*	1	\$8,566,861	0.41%			
Top Ten Total	113	\$850,577,380	40.68%	54	\$6,585,375	23.92%
City Total		\$2,091,586,176			\$27,526,390	

Owner		Combined		Primary Use &
		Value	% of Net	
1)	United Laguna Hills Mutual*	\$730,709,493	34.48%	R
2)	Raintree Realty LLC*	\$24,834,939	1.17%	C
3)	SHP II Rossmoor LLC	\$19,347,772	0.91%	C
4)	Laguna Hills Assisted I LP Gate Three HC*	\$17,114,968	0.81%	I
5)	KPL Villas LLC	\$16,002,493	0.76%	C
6)	Camino Oaks Limited	\$11,460,544	0.54%	C
7)	Ayres-Laguna Woods LP	\$10,453,324	0.49%	C
8)	Home Depot USA Inc	\$9,372,225	0.44%	C
9)	Ferrucci Properties LLC	\$9,300,136	0.44%	C
10)	Mark IV Capital Inc*	\$8,566,861	0.40%	C
Top Ten Total		\$857,162,755	40.44%	
City Total		\$2,119,112,566		

R = Residential

C = Commercial

I = Institutional

*Pending Appeals on Parcels

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

Source: Orange County Assessor - FY 2006-07 Combined Tax Rolls and the SBE Non Unitary Tax Roll
HdL, Coren & Cone

CITY OF LAGUNA WOODS

TOP TEN PROPERTY TAXPAYERS - FY 2015-16

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*	72	\$409,704,533	15.77%	24	\$389,607	1.75%
2) Federal National Mortgage Association*	10	\$141,777,406	5.46%			
3) Michael J Incardone*	4	\$62,608,647	2.41%			
4) Dale K Lyle*	3	\$39,345,959	1.51%			
5) Peter C Battin Jr.*	3	\$38,365,702	1.48%			
6) Avalon Regency LLC	1	\$36,787,558	1.42%	1	\$626,889	2.82%
7) Behringer Harvard San Sebastian	134	\$36,681,809	1.41%			
8) Beverly J. Wolofski	3	\$35,728,966	1.38%			
9) Elizabeth Ryan*	2	\$34,796,388	1.34%			
10) Julie L. Myers*	1	\$32,265,865	1.24%			
Top Ten Total	233	\$868,062,833	33.42%	25	\$1,016,496	4.57%
City Total		\$2,598,081,332			\$22,267,774	

Owner	Combined		Primary Use &
	Value	% of Net	
1) United Laguna Hills Mutual*	\$410,094,140	15.65%	R
2) Federal National Mortgage Association*	\$141,777,406	5.41%	R
3) Michael J Incardone*	\$62,608,647	2.39%	R
4) Dale K Lyle*	\$39,345,959	1.50%	R
5) Peter C Battin Jr.*	\$38,365,702	1.46%	R
6) Avalon Regency LLC	\$37,414,447	1.43%	C
7) Behringer Harvard San Sebastian	\$36,681,809	1.40%	R
8) Beverly J. Wolofski	\$35,728,966	1.36%	R
9) Elizabeth Ryan*	\$34,796,388	1.33%	R
10) Julie L. Myers*	\$32,265,865	1.23%	R
Top Ten Total	\$869,079,329	33.16%	
City Total	\$2,620,349,106		

R = Residential

C = Commercial

I = Institutional

*Pending Appeals on Parcels

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

Source: Orange County Assessor - FY 2015-16 Combined Tax Rolls and the SBE Non Unitary Tax Roll
HdL, Coren & Cone

CITY OF LAGUNA WOODS

PROPERTY USE CATEGORY SUMMARY - FY 2015-16

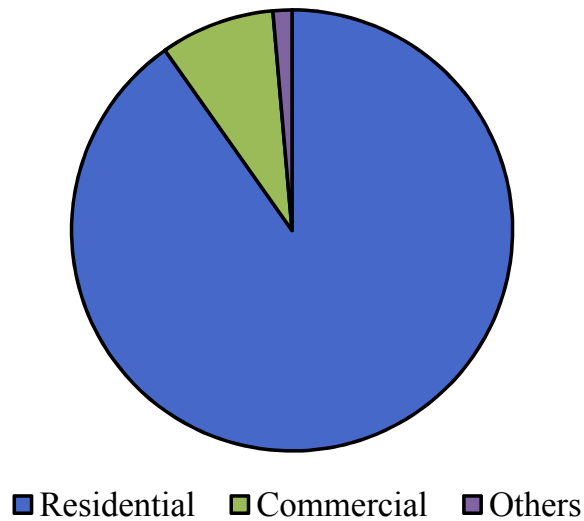
Basic Property Value Table

Category	Secured				
	Parcels	Assed Value	% of AV	Net Taxable Value	% of Net AV
Residential	6618	\$2,368,333,207	89.5%	\$2,364,906,778	90.3%
Commercial	42	\$231,638,886	8.8%	\$219,510,257	8.4%
Industrial	3	\$11,418,127	0.4%	\$11,418,127	0.4%
Agricultural	1	\$78,048	0.0%	\$78,048	0.0%
Vacant	4	\$1,509,945	0.1%	\$1,509,945	0.1%
Exempt	245	\$7,609,792	0.3%	\$0	0.0%
Cross Reference (1)	(31)	\$3,549,980	0.1%	\$658,177	0.0%
Unsecured (1)	(294)	\$22,371,529	0.8%	\$22,267,774	0.8%
Totals	6913	\$2,646,509,514	100.0%	\$2,620,349,106	100.0%

Note:

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

NET TAXABLE VALUE



Source: Orange County Assessor - FY 2015-16 Combined Tax Rolls
HdL, Coren & Cone

CITY OF LAGUNA WOODS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied Excluding VLF Fiscal Year (1)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percent of Levy (1)		Amount (1), (2), & (3)	Percent of Levy
2007	Not available	250,543	Not available	2,986	253,529	Not available
2008	Not available	307,935	Not available	12,047	319,982	Not available
2009	Not available	260,770	Not available	9,853	270,622	Not available
2010	Not available	286,020	Not available	9,592	295,612	Not available
2011	Not available	236,140	Not available	5,492	241,632	Not available
2012	408,142	236,875	58.04%	4,757	241,632	59.20%
2013	421,164	288,376	68.47%	96,010	384,386	91.27%
2014	417,701	286,002	68.47%	3,175	289,177	69.23%
2015	457,287	307,464	67.24%	1,322	308,786	67.53%
2016	295,957	231,501	78.22%	1,870	233,371	78.85%

Notes:

- (1) Amounts levied, excluding VLF levies for years prior to Fiscal Year Ended June 30, 2012 were not available.
- (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 in any year may exceed 100% due to collection reporting per Note 2 above and the fact that delinquent tax penalties collected are included in total reported collections.

Source: Orange County Auditor-Controller

CITY OF LAGUNA WOODS

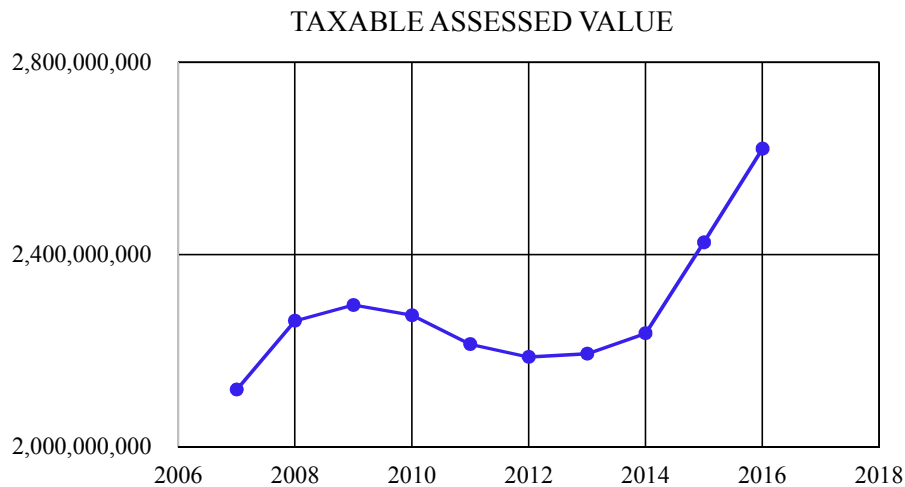
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Secured	Unsecured	Taxable Assessed Value	Percentage Change	Parcel Count
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
2016	2,598,081,332	22,267,774	2,620,349,106	8.04%	6,944

Note:

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.



Source: Orange County Assessor - 2005-06 through 2014-15 Combined Tax Rolls

HdL, Coren & Cone

CITY OF LAGUNA WOODS
TOP 25 SALES TAX PRODUCERS
For Fiscal Year 2006-07

Business Name*	Business Category
Adapt 2 It	Medical/Biotech
California Lacrosse Inc	Sporting Goods/Bike Stores
Dominos Pizza	Quick-Service Restaurants
Edge Cycle Sports	Sporting Goods/Bike Stores
El Toro Pharmacy	Drug Stores
EZ Lube	Auto Repair Shops
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
Olive Garden	Casual Dining
Papa Johns Pizza	Quick-Service Restaurants
Rite Aid	Drug Stores
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 = 100.00%

* Firms Listed Alphabetically

(Period: April 2006 thru March 2007)

Source: State of California Board of Equalization
Hinderliter, de Llamas & Associates

CITY OF LAGUNA WOODS
TOP 25 SALES TAX PRODUCERS
For Fiscal Year 2015-16

Business Name*	Business Category
19 Restaurant & Lounge	Casual Dining
Adapt 2 It	Medical/Biotech
Carls Jr	Quick-Service Restaurants
CVS Pharmacy	Drug Stores
Firehouse Subs	Fast-Casual Restaurants
Home Depot	Lumber/Building Materials
Hometown Buffet	Casual Dining
Jack in the Box	Quick-Service Restaurants
Leisure World Mobil	Service Stations
Mothers Market	Grocery-No Alcohol
Mothers Market	Grocery Stores-Liquor
Moulton Arco AMPM	Service Stations
OfficeMax	Office Supplies/Furniture
Olive Garden	Casual Dining
Papa Johns Pizza	Quick-Service Restaurants
Rite Aid	Drug Stores
Saddleback Golf Cars	Boats/Motorcycles
Stage 21 Bikes	Sporting Goods/Bike Stores
Stanley Okon Dental Lab	Medical/Biotech
Starbucks	Quick-Service Restaurants
Stater Bros	Grocery Stores-Liquor
Thaitanium	Casual Dining
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 = 95.25%

* Firms Listed Alphabetically

(Period: April 2015 thru March 2016)

Source: State of California Board of Equalization
Hinderliter, de Llamas & Associates

CITY OF LAGUNA WOODS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years
(in thousands of dollars)

	2006	2007	2008	2009
Eating and Drinking Places	\$ 11,054	\$ 10,778	\$ 10,545	\$ 10,569
Other Retail Stores	78,267	65,815	63,214	56,805
All Other Outlets	14,928	13,405	14,504	13,411
Total sales	<u>\$ 104,249</u>	<u>\$ 89,998</u>	<u>\$ 88,263</u>	<u>\$ 80,785</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.
- (2) 2014 data as reported in the FY 2014-15 Consolidated Annual Report has been updated to reflect final amounts released by the State of California Board of Equalization.

Source: State of California Board of Equalization
Hinderliter, de Llamas & Associates

2010		2011		2012		2013		2014 (2)		2015	
\$	10,903	\$	10,862	\$	10,708	\$	10,887	\$	11,625	\$	12,492
	56,952		59,779		61,556		63,728		66,149		66,270
	12,597		14,352		15,661		15,846		14,757		14,762
\$	80,452	\$	84,993	\$	87,925	\$	90,461	\$	92,531	\$	93,524

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)	Median Age (2)
2006	18,272	\$ 672,046	\$ 36,780	4.80%	Not available
2007	18,272	\$ 700,376	\$ 38,331	5.40%	Not available
2008	18,344	\$ 709,710	\$ 38,689	7.30%	Not available
2009	18,453	\$ 693,200	\$ 37,566	12.30%	78.3
2010	18,747	\$ 639,854	\$ 34,131	13.10%	78.2
2011	16,334	\$ 580,282	\$ 35,526	11.90%	78.0
2012	16,500	\$ 586,212	\$ 35,528	7.90%	77.1
2013	16,581	\$ 619,400	\$ 37,356	7.00%	76.4
2014	16,575	\$ 639,480	\$ 38,581	5.60%	75.7
2015	16,213	\$ 610,005	\$ 37,624	4.50%	74.5

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 as listed in the notes section above by
HdL, Coren & Cone

CITY OF LAGUNA WOODS

PRINCIPAL EMPLOYERS

Calendar Year 2015 and Nine Years Ago

2015		
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%
2006		
Employer	Estimated Number of Employees	Percent of Total Employment
Manorcare Health Services Inc.	150	6.00%
Renaissance Senior Living LLC	100	4.00%
Gmri Inc.	86	3.44%
Core Financial Corp.	20	0.80%
Professional Community Mgt.	1	0.04%

Notes:

- (1) Calendar year 2015 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 and Center for Demographic Research -
2016 and 2006 Orange County Progress Reports (Hoovers Business Information Database [2015 and 2006])

CITY OF LAGUNA WOODS
ASSESSSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years
(accrual bases of accounting)

Category	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
Residential	1,904,170,489	2,043,751,578	2,007,133,935	1,962,570,692
Commercial	158,749,765	162,189,222	203,116,105	206,493,225
Industrial	12,488,888	12,738,664	12,993,437	11,923,610
Agricultural	68,644	70,016	71,416	72,844
Institutional	13,942,283	14,137,913	37,665,382	38,418,689
Vacant	1,209,411	1,233,598	1,258,269	1,283,433
Cross Reference	956,696	827,445	857,686	521,170
Unsecured	27,526,390	27,240,322	32,005,037	52,434,822
Exempt (1)	(2,976,048)	(3,035,561)	(6,893,726)	(7,306,093)
Totals	<u>2,119,112,566</u>	<u>2,259,153,197</u>	<u>2,295,101,267</u>	<u>2,273,718,485</u>
Total Direct Rate	<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>

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.

Source: Orange County Assessor - FY 2006-07 through FY 2015-16 Combined Tax Rolls
HdL, Coren & Cone

Fiscal Year Ended June 30,					
2011	2012	2013 as restated	2014 as restated	2015	2016
1,924,235,756	1,934,950,643	1,938,957,534	1,982,057,711	2,171,362,601	2,364,906,778
245,051,889	206,212,280	209,170,969	213,924,549	215,235,603	219,510,257
10,417,199	9,858,815	10,055,990	9,939,949	10,184,717	11,418,127
72,671	73,218	74,682	76,175	76,520	78,048
0	0	0	0	0	0
1,470,832	1,345,031	1,822,131	1,473,682	1,480,370	1,509,945
512,647	543,083	449,819	428,736	600,911	658,177
31,914,975	33,958,519	33,093,242	28,493,026	26,520,067	22,267,774
(7,049,339)	(7,138,680)	(7,281,425)	(7,427,044)	(7,460,756)	(7,609,792)
<u>2,206,626,630</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>2,620,349,106</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>

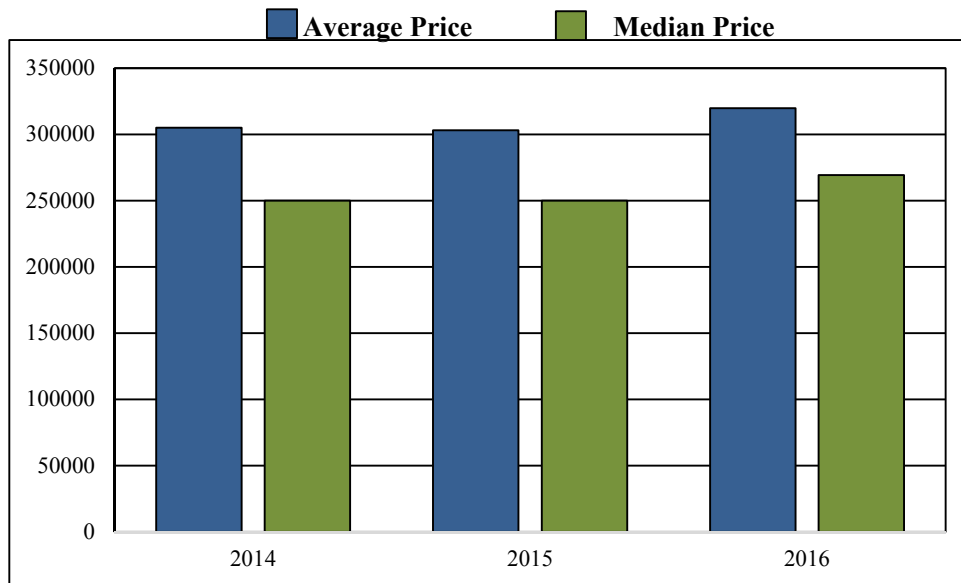
CITY OF LAGUNA WOODS
RESIDENTIAL SALES VALUE HISTORY

Last Three Calendar Years

Calendar Year	Full Value Sales	Average Price	Median Price	Median % Change
2014	464	\$305,199	\$250,000	N/A
2015 (2)	533	\$303,171	\$250,000	0.00%
2016	244	\$319,767	\$269,250	7.70%

Note:

- (1) Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.
(2) 2015 data as reported in the FY 2014-15 Consolidated Annual Report has been updated to reflect final amounts released by the County of Orange Clerk-Recorder.



Source: County of Orange Clerk-Recorder
HdL, Coren & Cone

CITY OF LAGUNA WOODS
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	2.50	3.00	3.00	3.13	3.00	2.00	2.06	2.50	3.00	2.19
Administrative services	3.00	4.00	4.25	3.75	3.75	3.75	3.88	3.76	3.48	4.00
Community services	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.42
Community development	2.00	1.00	1.50	2.00	2.00	2.20	2.13	2.00	1.00	0.38
Public Protection (1)	-	-	-	-	-	1.00	0.13	0.13	-	-
Public Works (2)	-	-	-	-	-	-	-	-	-	0.63
Total	<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>	<u>7.62</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.

Source: City of Laguna Woods, Administrative Services Department

CITY OF LAGUNA WOODS

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Arrests										
Part 1 Crimes	95	127	117	119	153	152	137	124	119	160
Part 2 Crimes	152	114	108	125	134	113	139	107	90	78
Number of calls responded to	2,739	2,753	2,861	2,943	3,112	3,236	3,144	3,168	2,645	2,835
Fire:										
Number of calls answered (1)	4,275	4,349	4,350	4,399	4,560	4,717	4,748	4,306	4,847	5,321
Public works: (2)										
Street resurfacing (miles)	-	-	-	-	-	-	-	-	-	-

NOTE:

- (1) The number of fire calls answered included incidents dispatched by the Orange County Fire Authority with ambulance response only. In FY 2015-16 there were 692 such responses.
- (2) The City currently tracks resurfaced areas in total, and not by year. As of June 30, 2016, there were 0.06266 total square miles of streets that had been resurfaced.

Sources: Orange County Sheriff's Department, Orange County Fire Authority, and
City of Laguna Woods, Planning & Environmental Services Department

CITY OF LAGUNA WOODS
CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police: (1)	-	-	-	-	-	-	-	-	-	-
Fire: (2)	-	-	-	-	-	-	-	-	-	-
Public works:										
Street (miles)	4.932	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	2	2	2	3	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.

Source: City of Laguna Woods, Administrative Services Department

This page intentionally left blank



CITY OF LAGUNA WOODS
24264 El Toro Road
Laguna Woods, CA 92637
Phone (949) 639-0500
www.cityoflagunawoods.org