

# **City of Laguna Woods, California**

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

**Year Ended June 30, 2017  
(Fiscal Year 2016-17)**



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 ACCOUNTANT**  
**YEAR ENDED JUNE 30, 2017**  
**(FISCAL YEAR 2016-17)**

**Prepared by:**

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

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## **INTRODUCTORY SECTION**

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## CITY of LAGUNA WOODS

**Shari L. Horne**  
*Mayor*

December 1, 2017

**Carol Moore**  
*Mayor Pro Tem*

Honorable Mayor and Members of the City Council:

**Cynthia Conners**  
*Councilmember*

**Noel Hatch**  
*Councilmember*

**Joe Rainey**  
*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, 2017 (Fiscal Year 2016-17). 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 of the City assumes full responsibility for the completeness and reliability of all information presented. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed 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 City's financial statements for Fiscal Year 2016-17 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 a single audit was not required for Fiscal Year 2016-17.

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 2016-17 included:

<b>Animal Control &amp; Shelter Services</b>	City of Laguna Beach
<b>Building Inspection &amp; Engineering Services</b>	CivilSource
<b>Code Enforcement &amp; Landscape Inspection Services</b>	AndersonPenna Partners
<b>Landscape Maintenance Services</b>	Nieves Landscaping
<b>Law Enforcement Services</b>	Orange County Sheriff’s Department
<b>Legal Services</b>	Rutan & Tucker, LLP
<b>Planning Services</b>	Michael Baker International
<b>Right-of-Way Maintenance Services</b>	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 level 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.

### **Economic Considerations**

In May 2017, the California Legislative Analyst's Office (LAO) issued a *Multiyear State Budget Outlook*, which assumed that the State's economy will continue to grow and that both federal and state policymaking will remain relatively comparable to current conditions. Nevertheless, in November 2016, and again in May 2017, the LAO cautioned that federal policy changes and consumer reaction could have a negative or recessionary impact on state and local economies.

The California Department of Finance, in conjunction with the release of the "May Revise" of the State's budget for Fiscal Year 2017-18, cautioned that economic recovery from the 2008 recession has extended three years longer than the average recovery, and that a future recession is inevitable. For the purpose of recent budgeting, it was assumed that economic recovery will continue, but at a slower pace than has occurred over the last several fiscal years.

In June 2017, Chapman University's A. Gary Anderson Center for Economic Research's California Composite Index of Consumer Sentiment found that a majority of consumers have become pessimistic, but that spending on "big-ticket items" is likely to remain relatively stable for the next six months. One year prior, another report from the A. Gary Anderson Center for Economic Research titled, "The Recovery Continues... But Barely," was equally guarded.

California State University, Fullerton's Woods Center for Economic Analysis and Forecasting's spring 2017 update to its *Economic Outlook and Forecasts* stated that "one positive indicator for the [Orange County] economy is local business leaders' expectations of growth [which]... tends to trend with local economic conditions... [and] was at its highest level ever in the first quarter of 2017." At the same time, local business leaders cited concerns regarding the impact of future political and economic reforms, as well as interest rate increases.

The City's conservative approach to budgeting and financial management has historically positioned the City well to weather mild recessionary periods.

### **Significant Local Concerns**

The single greatest threat to the solvency of the City remains the rising cost of law enforcement services, exacerbated by operational changes within the Orange County Sheriff's Department and labor agreements approved by the Orange County Board of Supervisors. While the City was able to moderate costs in Fiscal Year 2017-18 through a reduction in staffing, future costs are expected to continue to increase at an unsustainable rate, significantly in excess of inflation.

Projections from the Orange County Sheriff's Department indicate that costs to maintain the existing level of service will increase at least 15% over the next four years. Adding even greater cause for concern is that those projections do not account for potentially significant costs that are likely, but as-of-yet unknown, including impacts of future labor agreements and growth in departmental overhead. As a result, it is conceivable that costs may increase more than 15%, simply to continue the status quo.

The City's lack of a strong and diversified local sales tax base also continues to be of significant concern. While there are signs of improvement, including the long-awaited renovation of the Willow Tree Center, the City will continue to be reliant on a small number of businesses for its second largest source of operating revenue.

### **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 2016-17, the City Council approved an update of the investment policy. The update was based on feedback provided by the California Municipal Treasurers Association (CMTA) following CMTA's certification of the investment policy that was adopted by the City Council in November 2016, as well as on the City's experience implementing its investment policy since significant modifications were made in November 2015, and to better align the description of local government investment pools and other pooled investment funds with California Government Code.

### **Long-Term Financial Planning**

In recent fiscal years, the City has expanded its budget presentation; transitioned from single-year to two-year budgets and work plans; improved the quality and transparency of its annual financial reporting by preparing comprehensive annual financial reports; updated policies and practices pertaining to investment, budgeting, reserves, and reporting; and, undertaken longer-term strategic financial planning. Those efforts have resulted in the City receiving the Operating Budget Excellence Award for Fiscal Year 2016-17 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 2015-16 from the Government Finance Officers Association (GFOA).

### **Multi-Year Budgeting and Strategic Financial Planning**

Fiscal Year 2016-17 was the final fiscal year for which a single-year budget and work plan was adopted. Beginning with the adoption of the Fiscal Years 2017-19 Budget & Work Plan, the City transitioned from single-year to two-year budgets and work plans. The transition was undertaken with the goals of providing longer-term economic forecasts, greater certainty regarding the sustainability of the City's operations, and heightened strategic vision. Central to the transition to a two-year budget and work plan was the development of a five-year strategic financial plan with projections of future revenue and expenditure conditions. The five-year strategic financial plan is incorporated throughout the budget and work plan.

### Budgetary Reserves

The overall target for committed and assigned reserves is currently established in an amount equal to 50% of the adopted General Fund revenue budget at the beginning of each fiscal year (July 1), less any one-time revenues and non-operating revenues. The overall target amount is currently used to fund three committed and assigned reserves – (1) a Paid Leave Contingency Fund to compensate for payments required to comply with the City’s paid leave policies and obligations, when such amounts exceed adopted budgets; (2) a Self-Insurance Contingency Fund to compensate for liability and workers’ compensation claim settlements not covered by insurance policies; and, (3) a General Fund Contingency Fund to compensate for economic uncertainty, operating contingencies, and emergencies caused by calamitous events.

In addition to committed and assigned reserves, unassigned General Fund balance is available for any governmental purpose and can be appropriated upon direction from the City Council. Use of unassigned General Fund balance is generally limited to one-time projects, capital improvement projects, the payment of long-term liabilities for periods beyond the current fiscal year, and emergency expenditures. At the conclusion of Fiscal Year 2016-17, the City had an unassigned General Fund balance equivalent to approximately 171% of General Fund operating expenses for that year.

### Other Post-Employment Benefits Trust

In Fiscal Year 2015-16, the City Council established an Other Post-Employment Benefits (OPEB) 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 OPEB liability and is reviewed and maintained as stipulated in the City’s budgeting, reserves, and reporting policy. At June 30, 2017, the net OPEB obligation was funded at 95.85% through the trust.

### Major Initiatives

During Fiscal Year 2016-17, 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

The City's accomplishments in Fiscal Year 2016-17, included:

- Laguna Woods was ranked as the fourth safest city in California by SafeWise. In the 2016 calendar year alone, Laguna Woods' public safety personnel responded to 5,367 calls for fire/emergency medical services, 3,498 calls for law enforcement services, and 539 calls for animal services, under contracts and agreements with the City.
- The City continued to provide resources to applicants for renovation and development projects. In the 2016 calendar year alone, the City issued 3,486 building permits and conducted over 9,000 building inspections.
- The City's Senior Mobility Program continued to promote lifelong mobility by providing affordable, senior-oriented transportation services. In the 2016 calendar year alone, Laguna Woods residents took 15,042 trips to destinations throughout Orange County, totaling 95,940 miles.
- The City continued its efforts to protect and improve the environment by offering a wide assortment of waste and recycling programs. In addition to diverting a considerable amount of recyclable waste from landfills, in the 2016 calendar year alone, the City collected 120,274 pounds of paper at document shredding events, free of charge to residents. The City also began to accept home-generated sharps waste at City Hall, which resulted in the collection of 128 pounds in only five months.
- The City partnered with Southern California Edison to replace 170 public street light fixtures with new light-emitting-diode fixtures, at no cost.
- The City became the first city in Orange County to fully fund the entirety of its California Public Employees' Retirement System (CalPERS) pension plans according to current actuarial projections. That action is expected to save the City upwards of \$500,000 over the next 30 years.
- The City was recognized for several financial achievements, including receipt of an Operating Budget Excellence Award from the California Society of Municipal Finance Officers for Fiscal Year 2016-17.



- The City's annual independent audit resulted in an unmodified opinion that the financial statements for Fiscal Year 2015-16 were fairly presented in conformity with governmental accounting standards.
- The City replaced its antiquated financial software with new software that will better meet operational needs, improve internal efficiency, and enable future electronic customer service opportunities.
- The City completed the first phase of a project to update and clarify its Zoning Code. Doing so supports the City's goal of providing residents with access to high quality goods and service close to home.
- The City enhanced the events offered at City Hall by entering into new partnerships that allowed for participation in National Prescription Drug Take-Back Day, senior fall prevention workshops offered in conjunction with Mission Hospital, monthly small business workshops hosted by the United States Small Business Administration's SCORE Program, and more frequent OC Public Libraries programming.
- The City established and obtained tax exemptions for the Laguna Woods Civic Support Fund, a nonprofit public benefit corporation that will help to support the City's operations, as well as the Laguna Woods branch of the County of Orange's public library system.

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

- Comprehensive update of the City's General Plan
- Modernization of the City's commercial zoning code and parking standards
- Construction of water efficient median improvements on Moulton Parkway
- Two multi-city traffic signal synchronization projects
- Safety and efficiency-related building improvements at City Hall
- Proactive pavement management and rehabilitation work
- Response planning for Polyphagous Shot Hole Borer impacts on public trees
- Implementation of permitting software
- Update of the City's Local Hazard Mitigation Plan

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

### **Closing Acknowledgments**

We thank the City's independent auditors, White Nelson Diehl Evans LLP, 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.

City of Laguna Woods  
Comprehensive Annual Financial Report  
Year Ended June 30, 2017 (Fiscal Year 2016-17)  
Transmittal Letter

Respectfully,

A handwritten signature in black ink, appearing to read 'Chris Macon', with a long horizontal stroke extending to the right.

Christopher Macon  
City Manager

A handwritten signature in black ink, appearing to read 'Margaret Cady', in a cursive style.

Margaret Cady, CPA  
Administrative Services Director/City Treasurer

**City Officials**



Shari L. Horne  
Mayor

Carol Moore  
Mayor Pro Tem

Cynthia Conners  
Councilmember

Noel Hatch  
Councilmember

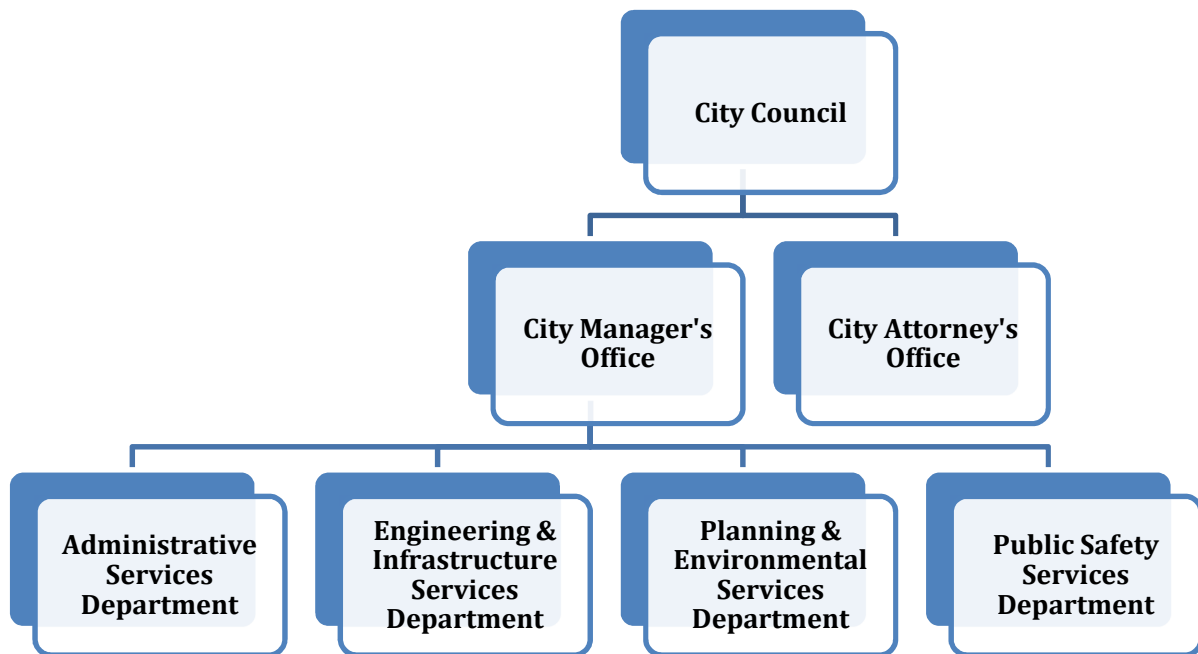
Joe Rainey  
Councilmember

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, 2016**

*Christopher P. Morill*

Executive Director/CEO

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Laguna 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, 2017, 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, 2017, 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, combining and individual nonmajor fund financial statements (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 1, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Dickel Evans LLP*

Irvine, California  
December 1, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

## ***CITY OF LAGUNA WOODS***

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

This discussion and analysis of the City of Laguna Woods' financial statements provides an overview of the City's financial activities for the fiscal year ended June 30, 2017 (FY 2016-17). This document should be read in conjunction with the basic financial statements and the accompanying notes to those statements.

#### **FINANCIAL HIGHLIGHTS**

- The City ended FY 2016-17 with total assets, including capital assets and deferred outflows of resources, exceeding total liabilities and deferred inflows of resources by \$43.2 million. This amount is referred to as the net position of the City. Of this amount, \$9.7 million is unrestricted net position and may be used to meet the City's ongoing obligations to constituents and creditors. Of the remainder, \$32.1 million represents investment in capital assets and the balance is restricted for designated programs.
- The City's government-wide net position decreased by \$1.4 million in FY 2016-17. This decrease is primarily attributable to a net decrease of \$1.7 million in capital assets due to depreciation of prior years' contributed infrastructure. There was also a corresponding offset from an increase in deferred pension assets, partially offset by an increase in net pension obligation, which are anticipated to turn around over time due to future changes in staffing, salaries, pension rates, and plan performance.
- As of the close of FY 2016-17, the City's governmental funds reported combined ending fund balances of \$10.9 million, equivalent to the prior year.
- The General Fund reported an ending fund balance of \$9.7 million, with \$0.3 million in expenditures exceeding revenues primarily related to a one-time planned payoff of the City's total pension unfunded actuarial accrued liability (UAAL) calculated as of June 30, 2015, which was partially offset by a positive net impact of transfers between the General Fund and Special Revenue Funds.
- The General Fund ending fund balance of \$9.7 million represents 171% of annual General Fund expenditures for FY 2016-17 (versus 173% for the prior year). The percentage decrease is primarily due to the one-time payoff of the pension UAAL (see discussion above).
- There was General Fund budgetary savings of \$0.8 million in FY 2016-17 as shown in the Required Supplementary Information, Budgetary Comparison Schedule, General Fund. Budgetary savings does not impact actual activity for reporting revenues, expenditures, and changes to fund balance; however, it reflects the City's prudent management of financial resources. FY 2016-17 savings of \$1.1 million were due to \$0.3 million in revenues received over budgeted amounts and \$0.8 million savings across all departments from planned reductions and the deferral of one-time activities to address increasing law enforcement costs (see discussion below).
- 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, law enforcement costs increased 63.0% over prior year expenditures due to modified cost sharing, including the addition of two deputies, related equipment, and 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 FY 2016-17, law enforcement costs increased an additional 5.72% on July 1, 2016 and an additional 1.93% on June 1, 2017 due to the aforementioned Board of Supervisors' actions.

## OVERVIEW OF THIS REPORT AND FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The City's basic financial statements include three components: 1) Government-wide Financial Statements, 2) Governmental Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains required supplementary information regarding historical pension information and other post-employment benefit (OPEB) plan information.

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. Property tax, sales tax, transient occupancy tax, franchise fees, vehicle code fines, fuel tax, Measure M tax revenues, and state and federal grants finance governmental activities. The City has no business-type activities.

### **Reporting the City as a Whole: The Government-wide Financial Statements including 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 *Government-wide Financial Statements* provide short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of account, which basically means that they take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-wide Financial Statements include two statements:

The *Statement of Net Position* presents all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in the City's net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. Revenues and expenses are reported in this statement for some items that will not result in cash flows or expenditures until future fiscal years (such as uncollected taxes and earned but unused leave balances). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

These statements report that the City's net position decreased during FY 2016-17. The decrease was primarily due to the recording of depreciation of prior years' contributed capital assets. Decreases related to operations were minimal and were primarily due to the payoff of the pension UAAL.

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

A fund is a grouping of related accounts that is used to maintain accountability over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure compliance with finance related legal requirements, which could include grant, legal, or legislative restrictions, etc.

*Governmental Funds* focus on how money flows into and out of funds for governmental activities 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 year, 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 General Fund is the City's primary operating governmental fund. The City also identifies within the financial statements "major" governmental funds. 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 2016-17, the City has designated the Measure M 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.

The City added a special revenue fund in FY 2016-17 to account for the Laguna Woods Civic Support Fund, a blended component unit, formed March 16, 2016, as a nonprofit public benefit corporation, with the specific and primary purpose to raise and distribute funds to support programs, projects, and services of the City as well as to function as a "Friends of the Library" group in support of the Laguna Woods branch of the County of Orange public library system.

## **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

	<b>2017</b>	<b>2016</b>
Assets:		
Cash and investments	\$11,044,511	\$11,161,184
Other receivables and assets	745,239	901,043
Capital assets, net	32,095,973	33,783,628
<b>Total Assets</b>	<b>\$43,885,723</b>	<b>\$45,845,855</b>
Deferred Outflows of Resources:		
Deferred amount from pension plans	\$714,975	\$69,975
<b>Total Deferred Outflows of Resources</b>	<b>\$714,975</b>	<b>\$69,975</b>
Liabilities:		
Accounts payable and other accrued expenses	\$669,536	\$688,506
Long-term liabilities - net pension obligation	565,179	398,688
Long-term liabilities - net OPEB obligation	60,729	58,556
Long-term liabilities - compensated absences	96,271	73,658
<b>Total Liabilities</b>	<b>\$1,391,715</b>	<b>\$1,219,408</b>
Deferred Inflows of Resources:		
Deferred amount from pension plans	\$37,338	\$94,291
<b>Total Deferred Inflows of Resources</b>	<b>\$37,338</b>	<b>\$94,291</b>
Net position:		
Net investment in capital assets	\$32,095,973	\$33,783,628
Restricted	1,371,195	1,747,163
Unrestricted	9,704,477	9,071,340
<b>Total Net Position</b>	<b>\$43,171,645</b>	<b>\$44,602,131</b>

**Table 2**  
**Changes in Net Position**  
Government Activities

	2017	2016
<b>Revenues</b>		
Program revenues:		
Charges for services	\$895,212	\$826,397
Operating contributions and grants	782,456	1,176,753
Capital contributions and grants	209,447	205,231
<b>Total program revenues</b>	<b>\$1,887,115</b>	<b>\$2,208,381</b>
General revenues:		
Taxes:		
Property taxes	\$428,265	\$328,168
Property taxes in lieu of VLF	2,062,919	1,949,418
Sales taxes	888,817	984,031
Franchise fees	662,027	626,027
Transient occupancy taxes	487,391	475,926
Investment income	73,727	44,394
Miscellaneous income	0	0
<b>Total general revenues</b>	<b>\$4,603,146</b>	<b>\$4,407,964</b>
<b>Total revenues</b>	<b>\$6,490,261</b>	<b>\$6,616,345</b>
<b>Expenses</b>		
Governmental activities:		
General government	\$1,433,890	\$1,503,279
Public safety	2,667,582	2,606,312
Public works	2,440,923	2,481,180
Community development	948,873	1,107,156
Community services	429,479	487,854
<b>Total expenses</b>	<b>\$7,920,747</b>	<b>\$8,185,781</b>
Increase/(decrease) in net position	(\$1,430,486)	(\$1,569,436)
Net position at beginning of year	\$44,602,131	\$46,171,567
Net position at end of year	<u>\$43,171,645</u>	<u>\$44,602,131</u>

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 \$44,600,698 as of year-end, a decrease of \$1,315,132 (-2.9%) over the restated prior year, which was due primarily to the depreciation of capital assets partially offset by the net increase in deferred pension assets.
- Unrestricted net position, the part of net position that can be used to finance ongoing obligations, was \$9,704,477 at year-end, an increase of 7.0% over the prior year, which was due primarily to an increase in deferred outflows of resources related to the net increase in deferred pension assets.
- The City's total program and general revenues were \$1,887,115 and \$4,603,146 respectively, totaling \$6,490,261, compared to the prior year total of \$6,616,345, a decrease of \$126,084 or approximately 1.9%. This decrease is primarily due to the prior year receipt of one-time deferred revenues related to the Proposition 1B, State and Local Partnership Program, a grant program which is final with the fund closed in FY 2016-17. The total cost of all programs and services was \$7,920,747, a decrease from the prior year of approximately 3.2%, due primarily to increased law enforcement costs offset by savings across all departments from planned reductions and the deferral of one-time activities.
- Local property tax revenues and property taxes in lieu of State vehicle license fees (VLF) totaled \$2,491,184, and combined, they are the City's largest revenue source at 38.4% of total revenues. These revenues fund a significant portion of the City's basic services. This combined revenue source increased by \$213,598 in FY 2016-17, or 9.4%, compared to the prior year, due to increases in all revenue categories with the exception of sales taxes which fell below projections (see additional discussion below).
- Sales taxes of \$888,817 are the City's second largest revenue source at 13.7% of total revenues. This revenue source decreased by \$95,214 in FY 2016-17, or 9.7%, compared to an increase of 8.3% in the prior year. The current year decrease resulted from the deferral of revenues due to timing of payment by the State and continued vacancies in retail spaces within the City.

**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**

	<b>2017</b>		<b>2016</b>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$1,433,890	\$1,232,994	\$1,503,279	\$1,412,936
Public Safety	2,667,582	2,567,582	2,606,312	2,485,843
Public Works	2,440,923	1,218,815	2,481,180	878,679
Community Development	948,873	918,169	1,107,156	1,076,138
Community Services	429,479	96,072	487,854	123,804
<b>Total</b>	<b>\$7,920,747</b>	<b>\$6,033,632</b>	<b>\$8,185,781</b>	<b>\$5,977,400</b>

- General Government expenses of \$1,433,890 comprise 18.1% of total cost of services in FY 2016-17, remained level with 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 2016-17, charges for services were approximately 14.0% of total costs.
- Public Safety expenses of \$2,667,582 comprise 33.7% of the total cost of services compared to 31.8% in the prior year. Revenue from vehicle code fines and state grants, which were level with amounts received in the prior year, reduced the need for general revenues to support this program in FY 2016-17 by 3.8%. This still resulted in a 3.29% increase in the amount of costs supported by the general fund as a direct result of increasing law enforcement costs. State funded revenues fluctuate year-over-year based on growth trends in statewide sales tax collections.
- Public Works expenses (primarily for maintenance and operation of the City's roadway system) were \$2,440,923 and comprise 30.8% of the total cost of services, compared to 30.3% in the prior year. Operating and capital contributions and grants were 50.1% of charges in the current year versus 60.4% in the prior year. This is primarily due to the prior year receipt of one-time deferred revenues related to the Proposition 1B, State and Local Partnership Program and a decrease in fuel tax revenues consistent with statewide trends. FY 2016-17 expenses included annual depreciation expense on the City's infrastructure assets of \$1,761,597.
- Community Development expenses of \$948,873 comprise 12.0% of the total cost of services, compared to 13.5% in the prior year. The total cost of the program decreased by \$157,969, or 14.7%, primarily in planning and environmental services.
- Community Services expenses of \$429,479 comprise 5.4% of the total cost of services, compared to 5.8% in the prior year, primarily due to discontinuing the Community Development Block Grant program in the last quarter of the fiscal year. Operating contributions and grants, and charges for services related to the Senior Mobility program offset 79.8% of all Community Services program expenses in FY 2016-17.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At the fiscal year-end, the City's Governmental Funds reported combined fund balances of \$10,910,938, a decrease of \$105,109, or 1.0%, from the prior year. The General Fund comprises \$9,654,675, or 88.5%, of the total fund balance. The total fund balance of the City's General Fund equates to over 170.8% of annual General Fund expenditures. The City's General Fund unassigned fund balance of \$9,293,180 equates to over 164.4% of annual General Fund expenditures.

### General Fund Budgetary Highlights:

**Revenues:** Actual total revenues of \$5,558,230 were \$297,230, or 5.6%, higher than budgeted, primarily because all revenues, with the exception of sales tax and miscellaneous 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 above budget due to receipt of a prior year late payment which was reported as deferred income in FY 2015-16 per GASB rules. This represents the turnaround of a prior year timing difference.

**Expenditures:** Actual expenditures of \$5,652,045 were \$813,687, or 12.6%, lower than budgeted, primarily due to savings across all departments resulting from the continuation of the City's reorganization, continued cost savings measures, and deferral of one-time projects.

## CAPITAL ASSETS

Capital assets, net of accumulated depreciation, totaled \$32,095,973 at year-end, primarily consisting of the City's land, building, and infrastructure assets. During FY 2016-17, the City added \$73,942 in value, including \$10,669 of value for construction in process, and \$63,273 in infrastructure additions. The \$73,942 of current year added value included \$63,273 expended on infrastructure additions related to the Pavement Management Plan, for Eastbound El Toro Road between Avenida Sevilla and Paseo de Valencia. The City allocated \$1,761,597 of depreciation expense on capital assets, which increased accumulated depreciation to \$12,175,877 at year-end. Land and Construction in Progress are not depreciated. Table 4a below summarizes capital assets at year-end, net of depreciation.

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

	2017	2016
Land	\$6,916,750	\$6,916,750
Construction in Progress	226,893	216,224
Buildings	2,563,250	2,563,250
Building improvements	736,647	736,647
Equipment and furniture	212,231	212,231
Infrastructure	33,616,079	33,552,806
Less accumulated depreciation	(12,175,877)	(10,414,280)
<b>Total</b>	<b>\$32,095,973</b>	<b>\$33,783,628</b>

Please refer to note 1 (c) beginning on page 32 and Note 4 beginning on page 45 for additional discussion related to capital assets.

## **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 \$565,179, \$96,271, and \$60,729, respectively, as of year-end. In FY 2016-17, the City paid 100% (\$563,324) of the pension plan UAAL, based on a measurement date of June 30, 2015. 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 prior fiscal year. At June 30, 2017, the net OPEB obligation was funded at 95.85% through the Trust. Please refer to Notes 9 and 10 beginning on page 50 for additional discussion related to pension liabilities and OPEB obligations.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In 2017, local economists have painted a picture that overall, economic growth continues to be modest at best and may be showing signs of cooling. In June 2017, the Chapman University A. Gary Anderson Center for Economic Research (Chapman) semi-annual economic forecast indicated that the Orange County business climate was “losing much of its oomph” and titled the chapter on the local economy “Prospects dim. Even more than California’s.” In October 2017, Cal State Fullerton’s Mihaylo’s Woods Center for Economic Analysis (Cal State Fullerton) issued a forecast that questioned the longevity of the current national economic expansion which is the third longest in post-World War II history. Both economic research groups issued a continued guarded outlook for California and Orange County, citing that Orange County economic performance is now lower than the federal and state economies, a reversal of long term trends.

Chapman and Cal State Fullerton both acknowledged that Orange County unemployment, declining early in the year, began to rise mid-year. Chapman highlights that Orange County job growth is projected to end at only 1.5% in 2017, versus 2.3% in 2016, which would be the slowest growth since the current recovery began. Further concern relates to job growth being generated in low-wage categories such as leisure and hospitality, home health care, and other minimum wage occupations, resulting in a decrease in workers able to able to cover the cost of housing in Orange County. Increases in online versus retail shopping is a continued trend affecting job decline with a loss of retail jobs between 2007 and 2016 of nearly 10%. Decreases in construction activity in Orange County are predicted by both Chapman and Cal State Fullerton, which will create further downward pressure on employment.

Chapman and Cal State Fullerton economists both foresee continued positive performance in the housing market. In June 2016, Chapman 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 of 2016 was 5.2%, compared to 3.7% in 2015. With home prices almost at pre-recessionary levels, and potential for increases in mortgage rates, future price growth is anticipated to slow from current trends.

Cal State Fullerton did not update their forecast for consumer spending, but did indicate that they anticipate an increase in wages which would increase discretionary funds available to spend. Chapman predicted a 4.5% growth in income resulting in equivalent growth in taxable sales. At the same time, major retailers are closing stores or reducing the size of stores, and a survey of manufacturing industry purchasing managers indicated a continuing decline in their expected rate of manufacturing activity and profits. Changes in the retail environment has had impact on the City in terms of long term vacancies, including the closure of Vons and Office Max. There are new business openings in 2017 within the City, including Coffee Bean and Tea Leaf (already open), a new Starbucks, ALDI Food Market, and Dollar Tree, all anticipated to be open before the end of the fourth quarter 2017.

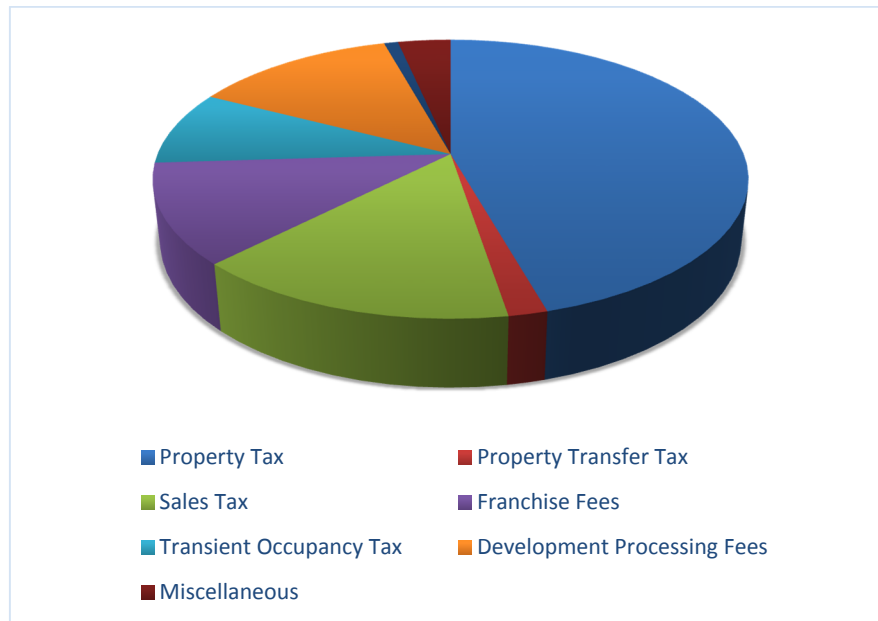
The bottom line is that the economy continues to be sluggish and appears to be slowing from 2016. The City continues to set conservative and prudent budgets in response.

In June 2017, the City Council adopted the City's first two-year budget for Fiscal Years 2017-19. The first year of that budget, FY 2017-18, included assumptions such as:

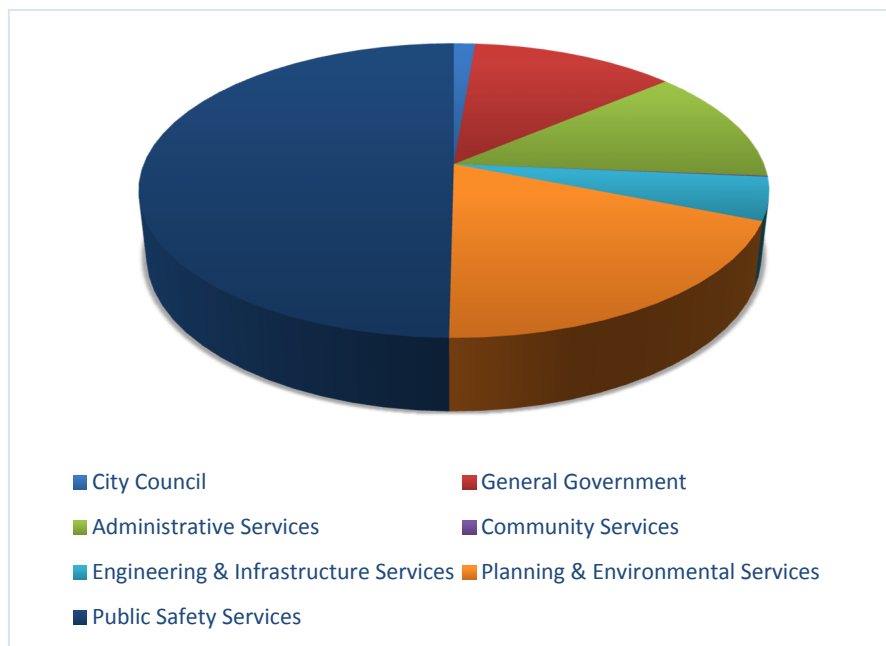
- Assessed property valuations in Laguna Woods are projected to increase 5.7% from Fiscal Year 2016-17 due, in part, to continued growth in home sale prices and the recapture of additional assessed property valuations that had been temporarily reduced pursuant to Proposition 8's tax relief program. In the following four years, valuation is anticipated to decline to 3.89% in FY 2018-19 and decrease to 1.95% thereafter.
- Sales tax revenue is anticipated to increase by 3.7% 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 lacking in diversity. The top 25 sales tax producers, on average, account for more than 96% of total sales tax revenue. The closure in FY 2016-17 of two of the top 25 sales tax producers is anticipated to have continued impact through the first half of FY 2017-18.
- Development processing fee revenue is estimated to increase by 1.0% due to stabilization in private building-related work. Updates of the City's fee schedules, developed to achieve full cost recovery, reflect minimal change in costs resulting from City efforts to minimize costs. Changes in building activity will impact costs and revenues similarly.
- Interest rates are projected to increase at less than 1% in FY 2017-18, based on the expectation that the Federal Reserve may raise short-term rates in the next 12 months and as market rates, in general, will continue to be low and without growth. Interest rate growth and the investment strategies allowed per the City's Investment Policy revised at the end of 2015 and amended in 2016, allowed the City to realize 295.2% in growth of investment income from \$18,657 in FY 2014-15 to \$73,727 in FY 2016-17. With the introduction of a five-year strategic financial plan issued with the FYs 2017-19 budget, the City will be better able to manage cash flows, and invest longer term to mitigate lower interest rates.
- Franchise fee revenue is projected to remain consistent with FY 2016-17 with no new franchise agreements or material changes to existing agreements anticipated. In FY 2016-17, the City was successful in negotiating a 10-year extension of the bus shelter franchise agreement without any loss of revenue.

Total General Fund FY 2017-18 operating revenues (excluding transfers from other funds) are estimated at \$5,373,600. This represents a 3.0% decrease from FY 2016-17 actual revenues primarily related to one-time property transfer tax collections and one-time transfers to the General Fund related to closures of special revenue funds in FY 2016-17. After adjusting for one-time revenues, total FY 2017-18 revenues are forecasted to reflect level or modest growth over FY 2016-17, with slight increases in the City's three largest sources of operating revenue: property tax, sales tax, and, development processing fees. Development processing fees offset the City's expenses for providing related services and do not represent a profit. General Fund operating expenditures are budgeted at \$5,286,288. After adding one-time non-operating expenditures and transfers to other funds, total General Fund expenditures equal \$5,724,476. At the end of FY 2017-18, the General Fund unassigned fund balance is forecast to be at least 159% of FY 2017-18 General Fund operating expenditures. Budgeted FY 2017-18 General Fund revenues by source and operating expenditures by program are illustrated in the following charts:

*[General Fund Revenue Estimates by Source – Fiscal Year 2017-18]*



*[General Fund Operating Expenditures by Program – Fiscal Year 2017-18]*



## 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, at (949) 639-0500 or [cityhall@cityoflagunawoods.org](mailto:cityhall@cityoflagunawoods.org).



## GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS  
STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
<b>ASSETS:</b>	
Cash and investments	\$ 11,044,511
Accounts receivables	188,506
Due from other governments	480,972
Prepaid items	75,761
Capital assets:	
Not being depreciated	7,143,643
Being depreciated (net of accumulated depreciation)	24,952,330
<b>Total assets</b>	<b>43,885,723</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred amount from pension plans	714,975
<b>Total deferred outflows of resources</b>	<b>714,975</b>
<b>LIABILITIES:</b>	
Accounts payable	414,256
Accrued liabilities	255,280
Long-term liabilities:	
Due within one year	50,238
Due in more than one year	671,941
<b>Total liabilities</b>	<b>1,391,715</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred amount from pension plans	37,338
<b>Total deferred inflows of resources</b>	<b>37,338</b>
<b>NET POSITION:</b>	
Investment in capital assets	32,095,973
Restricted for:	
Public safety	79,668
Public works	1,064,371
Community development	143,154
Community services	84,002
Unrestricted	9,704,477
<b>Total net position</b>	<b>\$ 43,171,645</b>

See accompanying notes to basic financial statements.

## CITY OF LAGUNA WOODS

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

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	
<b>Governmental activities:</b>					
General government	\$ 1,433,890	\$ 200,896	\$ -	\$ -	\$ (1,232,994)
Public safety	2,667,582	-	100,000	-	(2,567,582)
Public works	2,440,923	694,316	318,345	209,447	(1,218,815)
Community development	948,873	-	30,704	-	(918,169)
Community services	429,479	-	333,407	-	(96,072)
<b>Total governmental activities</b>	<b>\$ 7,920,747</b>	<b>\$ 895,212</b>	<b>\$ 782,456</b>	<b>\$ 209,447</b>	<b>(6,033,632)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes					2,491,184
Sales taxes					888,817
Transient occupancy taxes					487,391
Franchise taxes					662,027
Investment income					73,727
<b>Total general revenues</b>					<b>4,603,146</b>
<b>Change in net position</b>					<b>(1,430,486)</b>
<b>Net Position:</b>					
Beginning of year					44,602,131
<b>End of year</b>					<b>\$ 43,171,645</b>

See accompanying notes to basic financial statements.

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## FUND FINANCIAL STATEMENTS

## CITY OF LAGUNA WOODS

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 9,554,431	\$ -	\$ 1,490,080	\$ 11,044,511
Receivable:				
Accounts	173,137	14,594	775	188,506
Prepaid items	75,761	-	-	75,761
Due from other funds	165,772	-	-	165,772
Due from other governments	181,604	213,288	86,080	480,972
<b>Total assets</b>	<b>\$ 10,150,705</b>	<b>\$ 227,882</b>	<b>\$ 1,576,935</b>	<b>\$ 11,955,522</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 225,078	\$ 21,738	\$ 167,440	\$ 414,256
Accrued liabilities	252,905	-	2,375	255,280
Due to other funds	-	129,847	35,925	165,772
<b>Total liabilities</b>	<b>477,983</b>	<b>151,585</b>	<b>205,740</b>	<b>835,308</b>
Deferred Inflows of Resources:				
Unavailable revenues	18,047	191,229	-	209,276
<b>Total deferred inflows of resources</b>	<b>18,047</b>	<b>191,229</b>	<b>-</b>	<b>209,276</b>
Fund Balances (Deficit):				
Nonspendable:				
Prepaid items	75,761	-	-	75,761
Restricted for:				
Public works	-	-	1,064,371	1,064,371
Community development	-	-	143,154	143,154
Community services	-	-	84,002	84,002
Public safety	-	-	79,668	79,668
Assigned to:				
Capital projects	139,464	-	-	139,464
Compensated absences	96,270	-	-	96,270
Self insurance contingencies	50,000	-	-	50,000
Unassigned	9,293,180	(114,932)	-	9,178,248
<b>Total fund balances (deficit)</b>	<b>9,654,675</b>	<b>(114,932)</b>	<b>1,371,195</b>	<b>10,910,938</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,150,705</b>	<b>\$ 227,882</b>	<b>\$ 1,576,935</b>	<b>\$ 11,955,522</b>

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, 2017

Fund balances - total governmental funds		\$ 10,910,938
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	\$ 44,271,850	
Accumulated depreciation	<u>(12,175,877)</u>	
		32,095,973
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, 2017 are:		
Compensated absences	(96,271)	
OPEB obligation	<u>(60,729)</u>	
		(157,000)
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	714,975	
Deferred inflows of resources	(37,338)	
Pension liability	<u>(565,179)</u>	
		112,458
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>209,276</u>
<b>Net position of governmental activities</b>		<u><u>\$ 43,171,645</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, 2017

	General Fund	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes and assessments	\$ 3,866,719	\$ -	\$ 318,345	\$ 4,185,064
Intergovernmental	-	205,671	544,633	750,304
Franchise fees	748,947	-	-	748,947
Charges for services	694,316	-	-	694,316
Investment income	61,948	249	11,531	73,728
Miscellaneous	186,300	-	-	186,300
<b>Total revenues</b>	<u>5,558,230</u>	<u>205,920</u>	<u>874,509</u>	<u>6,638,659</u>
<b>EXPENDITURES:</b>				
Current:				
General government	1,860,609	-	-	1,860,609
Public safety	2,567,582	-	100,000	2,667,582
Public works	228,898	178,270	379,335	786,503
Community development	942,424	-	6,449	948,873
Community services	3,426	-	426,053	429,479
Capital outlay	49,106	1,616	-	50,722
<b>Total expenditures</b>	<u>5,652,045</u>	<u>179,886</u>	<u>911,837</u>	<u>6,743,768</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(93,815)</u>	<u>26,034</u>	<u>(37,328)</u>	<u>(105,109)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	511,282	184,506	186,487	882,275
Transfers out	(370,993)	-	(511,282)	(882,275)
<b>Total other financing sources (uses)</b>	<u>140,289</u>	<u>184,506</u>	<u>(324,795)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>46,474</u>	<u>210,540</u>	<u>(362,123)</u>	<u>(105,109)</u>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	<u>9,608,201</u>	<u>(325,472)</u>	<u>1,733,318</u>	<u>11,016,047</u>
End of year	<u>\$ 9,654,675</u>	<u>\$ (114,932)</u>	<u>\$ 1,371,195</u>	<u>\$ 10,910,938</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, 2017

Net change in fund balances - total governmental funds \$ (105,109)

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	\$ 73,942	
Depreciation expense	<u>(1,761,597)</u>	(1,687,655)

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	(14,664)	
OPEB expense	<u>(10,122)</u>	(24,786)

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.

535,462

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.

(148,398)

**Change in net position of governmental activities**

**\$ (1,430,486)**

See accompanying notes to basic financial statements

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## NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

(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.

The Laguna Woods Civic Support Fund (the Fund), a blended component unit, was formed March 16, 2016, as a nonprofit public benefit corporation, with the specific and primary purpose to raise and distribute funds to support programs, projects, and services of the City of Laguna Woods (the City) as well as to function as a “Friends of the Library” group in support of the Laguna Woods branch of the County of Orange’s public library system.

Although the Fund is a legally separate entity from the City, it receives provision of operating space and administrative services from the City. In addition, City Council has continuing accountability for the fund including appointing persons to the Funds’ Board of Directors, including the appointment of two (2) Councilmembers, and, approving all programs projects, and services for which the Fund raises or distributes funds.

Since the City is able to impose its will on the Fund and to make decisions related to the Fund’s activities, the City is considered to be the primary government and the Fund is a component unit of the City. As a component unit, the financial statements of the Fund and of the City are blended. For presentation within the statements of the City, or government unit, the transactions between the City and the Fund are reported as interfund transactions. The Fund’s financial data and activity are presented as a Special Revenue Fund. The Fund does not issue separate financial statements.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

(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*.

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.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

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

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, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds.

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.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

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

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.”

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period. Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

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

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

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

(c) Fund Classifications

The City reports the following major governmental funds:

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

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



CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

(e) Capital Assets, (Continued)

The City uses the straight-line method in the government-wide financial statements for depreciating infrastructure, park equipment, buildings, vehicles, equipment and furniture, and leasehold improvements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The range of useful lives used for depreciation purposes for each capital asset class is 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, and reimbursement grant revenues and other revenues collected or provided by Federal, State and County governments that were unremitted to the City as of June 30.

(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, primarily from the general fund, 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, 2017

(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

(j) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

(k) New Accounting Pronouncements

The Governmental Accounting Standards Boards (GASB) issued the following new accounting pronouncements in the current fiscal year:

GASB 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 77 - *Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015, and did not impact the City.

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, and did not impact the City.

GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the City.

(l) Pending Accounting Standards

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

GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.

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.

GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.

GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

Year Ended June 30, 2017

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

(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.

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

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

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

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

(n) Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of net 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 the following items that qualify for reporting in this category:

- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.
- 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.
- Deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

Year Ended June 30, 2017

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

(n) Deferred Outflows/ Inflows of Resources

In addition to liabilities, the statement of net 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 the following items that qualify for reporting in this category:

- Deferred inflow from unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow 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.
- Deferred inflow from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

(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.”

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

(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, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	<u>\$ 11,044,511</u>
----------------------	----------------------

Cash and investments held by the City at June 30, 2017 consisted of the following:

Petty Cash	\$ 1,500
Demand Deposits	969,839
Negotiable Certificates of Deposits	1,915,000
Local Agency Investment Pool (LAIF)	4,155,899
Orange County Investment Pool (OCIP)	4,002,273
Total cash and investments held by City	\$ 11,044,511

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(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. Investment types authorized by the California Government Code, but not by the City's investment policy, are not presented. 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.

Type of Investment	Maximum Amount of Portfolio Investment*	Maximum Maturity*
Federal Deposit Insurance Corporation (FDIC) Insured Accounts	100%	N/A
Bankers’ Acceptances	20% (no more than 5% with one bank)	180 days
Commercial Paper	15% (no more than 10% of a single issuer)	270 days
Local Government Investment Pools	90%	N/A
Money Market Mutual Funds	10%	N/A
Non-Negotiable Certificates of Deposit	20% (no more than 5% with one bank or issuer) and no more than 30% of the overall portfolio when combined with Negotiable Certificates of Deposit	3 years
Negotiable Certificates of Deposit	30% (no more than 5% with one bank or single issuer) and no more than 30% of the overall portfolio when combined with Non-Negotiable Certificates of Deposit	3 years
Passbook Savings Demand Deposits	100%	3 years
Repurchase Agreements	10% (no more than 20% of a single issuer)	30 days
United States Treasury Obligations	90% of overall portfolio for any one investment type (no more than 20% of a single issuer)	3 years
United States Agency Obligations		3 years
State of California and Other States-issued Obligations	20% of overall portfolio for any one investment type (no more than 5% of a single issuer)	3 years
California Local Government-issued Municipal Obligations		3 years
*Based on state law requirements or investment policy requirements, whichever is more restrictive.		



CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City of Laguna Woods' Investment Policy (Continued)

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

Investments Authorized by Debt Agreements

As of June 30, 2017, 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
LAIF	\$ 4,155,899	\$ -	\$ -	\$ -	\$ 4,155,899
OCIP	4,002,273	-	-	-	4,002,273
Negotiable Certificates of Deposits	935,000	980,000	-	-	1,915,000
Total	\$ 9,093,172	\$980,000	\$ -	\$ -	\$ 10,073,172

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

During the fiscal year ended June 30, 2017 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).

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

Year Ended June 30, 2017

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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.

<b>Investment Type</b>	<b>Total</b>	<b>Minimum Legal Rating</b>	<b>Not Rated</b>	<b>AAA</b>
LAIF	\$ 4,155,899	N/A	\$ 4,155,899	\$ -
OCIP	4,002,273	N/A	-	4,002,273
Negotiable Certificates of Deposits	1,915,000	N/A	1,915,000	-
	\$ 10,073,172		\$ 6,070,899	\$ 4,002,273

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, 2017, 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.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

Year Ended June 30, 2017

(2) Cash and Investments, (Continued)

Custodial Credit Risk (Continued)

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, 2017, 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.

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.

The City is also a voluntary participant in the Orange County Investment Pool (OCIP) that is regulated by California Government Code under the oversight of the County of Orange Treasurer. 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 OCIP for the entire OCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by OCIP, which are recorded on amortized cost basis. OCIP 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 valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The City's investments in LAIF and OCIP are not subject to the fair value measurement hierarchy. The City's investments in the Negotiable Certificates of Deposits are categorized as to Level 2 inputs in the fair value measurement hierarchy.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(3) Interfund Transactions

Due to/Due from Other Funds

Current interfund receivables and payables balances at June 30, 2017 are as follows:

Receivable Fund	Payable Fund	Amount (a)
General Fund	Measure M Special Revenue Fund	\$ 129,847
	Nonmajor Governmental Funds	35,925
	Total Interfund Receivables and Payables	\$ 165,772
(a) The amounts owed represent short-term borrowings to manage cash flows		

Interfund Transfers

Interfund transfers at June 30, 2017 consisted of the following:

Transfers In:	Transfers Out:	Total Funds Transferred
General Fund	Nonmajor Governmental Funds	\$ 511,282
Measure M Special Revenue Fund	General Fund	\$ 184,506
Nonmajor Governmental Funds	General Fund	\$ 186,487

\$62,202 in transfers from the General Fund to the Senior Mobility Nonmajor Special Revenue Fund were budgeted transfers to fund program activities. \$5,000 in transfers from the General Fund to Civic Support Fund Nonmajor Special Revenue Fund were budgeted transfers to establish the Civic Support Fund Special Revenue Fund.

All other transfers were budgeted transfers to reconcile fund activity, and/or to reconcile and close inactive funds.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(4) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

<b>Governmental Activities:</b>	<b>Balance at June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2017</b>
Capital assets not being depreciated:				
Land	\$ 6,916,750	\$ -	\$ -	\$ 6,916,750
Construction in Progress	216,224	10,669	-	226,893
Total capital assets not being depreciated	7,132,974	10,669	-	7,143,643
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	33,552,806	63,273	-	33,616,079
Total capital assets being depreciated	37,064,934	63,273	-	37,128,207
Less accumulated depreciation for:				
Building	439,415	73,235	-	512,650
Building improvements	726,412	5,470	-	731,882
Furniture and equipment	204,263	5,252	-	209,515
Infrastructure	9,044,190	1,677,640	-	10,721,830
Total accumulated depreciation	10,414,280	1,761,597	-	12,175,877
Net total capital assets being depreciated	26,650,654	(1,698,324)	-	24,952,330
Total capital assets, net of accumulated depreciation	\$ 33,783,628	\$ (1,687,655)	\$ -	\$ 32,095,973

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(4) Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

General government	\$ 83,957
Public works	1,677,640
Total	\$ 1,761,597

Construction commitments at year-end were as follows:

	<b>Spent-to-date</b>	<b>Remaining Commitment</b>
El Toro Traffic Synchronization Project	\$ 69,130	\$ 573,370
Moulton Parkway Traffic Synchronization Project	\$ 107,505	\$ 700,545

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 were as follows:

	<b>Balance at June 30, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2017</b>	<b>Due Within One Year</b>
Governmental Activities:					
Compensated absences	\$ 81,607	\$ 57,250	(\$ 42,586)	\$ 96,271	\$ 50,238
Net OPEB obligation	50,607	13,880	( 3,758)	60,729	-
Total Long-Term Liabilities	\$ 132,214	\$ 71,130	(\$ 46,344)	\$ 157,000	\$ 50,238

(6) Individual Fund Disclosures

Deficit Fund Balance

For the year ended June 30, 2017, the following fund had a deficit fund balance:

Major Fund:

Measure M Special Revenue Fund \$ 114,932

The deficit fund balance is expected to be corrected by future receipt of amounts due from other governments for claims filed in the current fiscal year.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(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 117 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary 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.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(7) Risk Management, (Continued)

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

Primary Liability Program, (Continued)

For 2016-17 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 in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$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.

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 2016-17 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.



CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(7) Risk Management, (Continued)

(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.

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 \$ 4,465,196. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

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 \$4,435,955. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

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.

(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 2016-17.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

Year Ended June 30, 2017

(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, 2017

(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-duty 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, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date:		
Benefit Formula	2.000% @ 55	2.000% @ 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%	1.000% to 2.500%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates		
Normal cost rate	9.476%	6.649%
Payment of unfunded liability	\$ 501,179	\$ 149

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(9) Defined Benefit Pension Plan, (Continued)

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net <u>Pension Liability</u>
Miscellaneous	\$ <u>565,179</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, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2015	0.01453%
Proportion - June 30, 2016	0.01627%
Change - Increase (Decrease)	0.00174%

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(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, 2017, the City recognized pension expense of \$60,691. At June 30, 2017, 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	\$ 563,324	\$ -
Difference between actual and expected experience	2,846	(652)
Change in assumptions	-	(26,923)
Change in employer's proportion and differences between employer's contributions and the employer's proportionate share of contribution	8,681	(9,763)
Net differences between projected an actual earnings on plan investments	140,124	-
Total	<u>\$ 714,975</u>	<u>\$ (37,338)</u>

\$563,324 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, 2018. Included in the contributions is a payment of \$483,069 towards the City's unfunded actuarial accrued liability. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2018	\$ 7,134
2019	10,124
2020	60,762
2021	36,293
2022	-
Thereafter	-

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(9) Defined Benefit Pension Plan, (Continued)

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

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service

(2) 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.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 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.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

Year Ended June 30, 2017

(9) Defined Benefit Pension Plan, (Continued)

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

Change of Assumptions

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

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, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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.

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(9) Defined Benefit Pension Plan, (Continued)

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

Discount Rate (Continued)

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, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 1 – 10 (a)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	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	1.00%	-0.55%	-1.05%
Total	100.00%	N/A	N/A

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

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

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	\$ 956,723
Current Discount Rate	7.65%
Net Pension Liability	\$ 565,179
1% Increase	8.65%
Net Pension Liability	\$ 241,588



CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

(9) Defined Benefit Pension Plan, (Continued)

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

*Pension Plans Fiduciary Net Position*

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

*Subsequent Events*

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

(c) Payable to the Pension Plans

At June 30, 2017, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

(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. The City's OPEB plan does not issue a separate stand-alone report.

*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, 2017. 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 OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

*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, 2017, the City paid \$3,758 in contributions for postemployment health care benefits.

*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 in fiscal year 2015-2016. The trust value at June 30, 2017 is \$67,459 with total realized earnings of \$6,948.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other post employment benefit 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 for the fiscal year ended June 30, 2017, was \$14,007. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$ 14,007
Interest on net OPEB obligation	3,036
Adjustments to annual required contributions	(3,163)
Annual OPEB cost (expense)	13,880
Contributions made	(3,758)
Increase in net OPEB obligation	10,122
Net OPEB obligation-beginning of year	50,607
Net OPEB obligation-end of year	<u>\$ 60,729</u>

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)  
Year Ended June 30, 2017

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year	Actual Contributions	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	2,098	21,798	9.62%	89,340
6/30/16 (Note A)	63,309	24,576	257.61%	50,607
6/30/17	3,758	13,880	27.07%	60,729

**Note A:** In the fiscal year ended June 30, 2016, the City's contributions of \$63,309 included the annual required contribution 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	<u>                    </u> - (Unfunded)
Actuarial accrued liability (UAAL)	<u>\$ 75,638</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	<u>\$ 559,977</u>
UAAL as a percentage of covered payroll	<u>13.51%</u>

Due to the establishment of the OPEB trust, the funded status is anticipated to be at or above 80% with the next calculation (calculated June 30, 2018).

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

CITY OF LAGUNA WOODS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

Year Ended June 30, 2017

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

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

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

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

(11) 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.

(12) Subsequent Events

Management has evaluated subsequent events through December 1, 2017, 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

Last Ten Fiscal Years\*

Fiscal year ended	Miscellaneous		
	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.00653%	0.00581%	0.00641%
Plan's proportionate share of the net pension liability	\$ 565,179	\$ 398,688	\$ 398,648
Plan's covered - employee payroll	\$ 729,196	\$ 716,484	\$ 825,725
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	77.51%	55.65%	48.28%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 87,255	\$ 74,766	\$ 52,739

## Notes to Schedule:

## Benefit Changes:

There were no changes in benefits.

## Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

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

CITY OF LAGUNA WOODS  
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years\*

Fiscal year ended	Miscellaneous		
	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 545,363	\$ 6,231	\$ 79,169
Contributions in relation to the actuarially determined contributions	<u>(545,363)</u>	<u>(6,231)</u>	<u>(79,169)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 699,490	\$ 729,196	\$ 716,484
Contributions as a percentage of covered - employee payroll	77.97%	0.85%	11.05%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------

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.**

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

\*\* - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) 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. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF LAGUNA WOODS  
SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2017

**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 Covered 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 2018.)



## CITY OF LAGUNA WOODS

### MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2017

#### 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 SCHEDULE  
GENERAL FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
Property tax	\$ 2,272,000	\$ 2,272,000	\$ 2,311,196	\$ 39,196
Property transfer tax	90,000	90,000	179,988	89,988
Sales tax	932,000	932,000	888,144	(43,856)
Transient occupancy tax	467,000	467,000	487,391	20,391
Franchise fee	591,000	591,000	748,947	157,947
Charges for services	671,000	671,000	694,316	23,316
Investment income	48,000	48,000	61,948	13,948
Miscellaneous	190,000	190,000	186,300	(3,700)
<b>Total revenues</b>	<u>5,261,000</u>	<u>5,261,000</u>	<u>5,558,230</u>	<u>297,230</u>
<b>EXPENDITURES:</b>				
Current:				
City council	70,852	28,152	19,072	9,080
Administrative services	708,835	791,164	680,220	110,944
General government	755,179	1,394,891	1,161,317	233,574
Public safety	2,623,990	2,644,690	2,567,582	77,108
Public works	247,981	274,881	228,898	45,983
Community development	896,551	1,162,067	942,424	219,643
Community services	12,868	7,868	3,426	4,442
Capital outlay	137,240	161,989	49,106	112,883
<b>Total expenditures</b>	<u>5,453,496</u>	<u>6,465,702</u>	<u>5,652,045</u>	<u>813,657</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(192,496)</u>	<u>(1,204,702)</u>	<u>(93,815)</u>	<u>1,110,887</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	511,286	511,282	(4)
Transfers out	-	(393,793)	(370,993)	22,800
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>117,493</u>	<u>140,289</u>	<u>22,796</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (192,496)</u>	<u>\$ (1,087,209)</u>	<u>46,474</u>	<u>\$ 1,133,683</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>9,608,201</u>	
End of year			<u>\$ 9,654,675</u>	

## CITY OF LAGUNA WOODS

BUDGETARY COMPARISON SCHEDULE  
MEASURE M SPECIAL REVENUE FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 218,000	\$ 1,311,700	\$ 205,671	\$ (1,106,029)
Investment income	-	-	249	249
<b>Total revenues</b>	<u>218,000</u>	<u>1,311,700</u>	<u>205,920</u>	<u>(1,105,780)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	233,034	237,234	178,270	58,964
Capital outlay	-	1,031,721	1,616	1,030,105
<b>Total expenditures</b>	<u>233,034</u>	<u>1,268,955</u>	<u>179,886</u>	<u>1,089,069</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(15,034)</u>	<u>42,745</u>	<u>26,034</u>	<u>(16,711)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	184,506	184,506	-
<b>Total other financing sources</b>	<u>-</u>	<u>184,506</u>	<u>184,506</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (15,034)</u>	<u>\$ 227,251</u>	<u>210,540</u>	<u>\$ (16,711)</u>
<b>FUND BALANCE (DEFICIT):</b>				
Beginning of year			<u>(325,472)</u>	
End of year			<u>\$ (114,932)</u>	

## CITY OF LAGUNA WOODS

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

#### (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 eight supplemental appropriations approved by the City Council totaling \$1,812,472, and capital and other one-time projects budget carryovers totaling \$1,678,732.

## SUPPLEMENTARY INFORMATION

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## OTHER GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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.

Civic Support Fund - is used to account for revenue, donor support, and expenditures of the Civic Support Fund, a nonprofit public benefit corporation.

## CITY OF LAGUNA WOODS

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2017

	Special Revenue Funds			
	Gas Tax	Traffic Mitigation Fees	Supplemental Law Enforcement Program	Air Quality Improvement
<b>ASSETS</b>				
Cash and investments	\$ 996,384	\$ -	\$ 45,164	\$ 130,789
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	-	1,512	5,263
<b>Total assets</b>	<u>\$ 996,384</u>	<u>\$ -</u>	<u>\$ 46,676</u>	<u>\$ 136,052</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 83,261	\$ -	\$ -	\$ -
Accrued liabilities	-	-	2,375	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>83,261</u>	<u>-</u>	<u>2,375</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Public works	913,123	-	-	-
Community development	-	-	-	136,052
Community services	-	-	-	-
Public safety	-	-	44,301	-
<b>Total fund balances</b>	<u>913,123</u>	<u>-</u>	<u>44,301</u>	<u>136,052</u>
<b>Total liabilities and fund balances</b>	<u>\$ 996,384</u>	<u>\$ -</u>	<u>\$ 46,676</u>	<u>\$ 136,052</u>



Special Revenue Funds (Continued)

Senior Mobility	CDBG	PEG/Cable Television	Grants	Civic Support Fund	Total Other Governmental Funds
\$ 50,671	\$ -	\$ 69,525	\$ 193,845	\$ 3,702	\$ 1,490,080
-	-	775	-	-	775
15,164	64,141	-	-	-	86,080
<u>\$ 65,835</u>	<u>\$ 64,141</u>	<u>\$ 70,300</u>	<u>\$ 193,845</u>	<u>\$ 3,702</u>	<u>\$ 1,576,935</u>
\$ 55,835	\$ 28,216	\$ -	\$ 128	\$ -	\$ 167,440
-	-	-	-	-	2,375
-	35,925	-	-	-	35,925
<u>55,835</u>	<u>64,141</u>	<u>-</u>	<u>128</u>	<u>-</u>	<u>205,740</u>
-	-	-	151,248	-	1,064,371
-	-	-	7,102	-	143,154
10,000	-	70,300	-	3,702	84,002
-	-	-	35,367	-	79,668
<u>10,000</u>	<u>-</u>	<u>70,300</u>	<u>193,717</u>	<u>3,702</u>	<u>1,371,195</u>
<u>\$ 65,835</u>	<u>\$ 64,141</u>	<u>\$ 70,300</u>	<u>\$ 193,845</u>	<u>\$ 3,702</u>	<u>\$ 1,576,935</u>

## CITY OF LAGUNA WOODS

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

For the Year Ended June 30, 2017

	Special Revenue Funds			
	Gas Tax	Traffic Mitigation Fees	Supplemental Law Enforcement Program	Air Quality Improvement
<b>REVENUES:</b>				
Taxes and assessments	\$ 318,345	\$ -	\$ -	\$ -
Intergovernmental	-	-	129,324	20,705
Investment income	6,043	2,160	271	823
<b>Total revenues</b>	<b>324,388</b>	<b>2,160</b>	<b>129,595</b>	<b>21,528</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	100,000	-
Public works	379,335	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
<b>Total expenditures</b>	<b>379,335</b>	<b>-</b>	<b>100,000</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(54,947)</b>	<b>2,160</b>	<b>29,595</b>	<b>21,528</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	99,359	-	-	-
Transfers out	-	(436,555)	-	-
<b>Total other financing sources (uses)</b>	<b>99,359</b>	<b>(436,555)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>44,412</b>	<b>(434,395)</b>	<b>29,595</b>	<b>21,528</b>
<b>FUND BALANCES (DEFICIT):</b>				
Beginning of year	868,711	434,395	14,706	114,524
End of year	<u>\$ 913,123</u>	<u>\$ -</u>	<u>\$ 44,301</u>	<u>\$ 136,052</u>

Special Revenue Funds (Continued)

Senior Mobility	CDBG	PEG/Cable Television	Grants	Civic Support Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,345
245,385	125,847	13,372	10,000	-	544,633
77	-	422	1,734	1	11,531
245,462	125,847	13,794	11,734	1	874,509
-	-	-	-	-	100,000
-	-	-	-	-	379,335
-	-	-	6,449	-	6,449
307,664	116,797	293	-	1,299	426,053
307,664	116,797	293	6,449	1,299	911,837
(62,202)	9,050	13,501	5,285	(1,298)	(37,328)
62,202	4,193	-	15,733	5,000	186,487
-	-	-	(74,727)	-	(511,282)
62,202	4,193	-	(58,994)	5,000	(324,795)
-	13,243	13,501	(53,709)	3,702	(362,123)
10,000	(13,243)	56,799	247,426	-	1,733,318
\$ 10,000	\$ -	\$ 70,300	\$ 193,717	\$ 3,702	\$ 1,371,195

## 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, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes and assessments	\$ 350,000	\$ 350,000	\$ 318,345	\$ (31,655)
Investment income	-	-	6,043	6,043
<b>Total revenues</b>	<u>350,000</u>	<u>350,000</u>	<u>324,388</u>	<u>(25,612)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	500,201	500,201	379,335	120,866
Capital outlay	-	273,914	-	273,914
<b>Total expenditures</b>	<u>500,201</u>	<u>774,115</u>	<u>379,335</u>	<u>394,780</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(150,201)</u>	<u>(424,115)</u>	<u>(54,947)</u>	<u>369,168</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	99,359	99,359	-
<b>Total other financing sources</b>	<u>-</u>	<u>99,359</u>	<u>99,359</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (150,201)</u>	<u>\$ (324,756)</u>	<u>44,412</u>	<u>\$ 369,168</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>868,711</u>	
End of year			<u>\$ 913,123</u>	

## CITY OF LAGUNA WOODS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
TRAFFIC MITIGATION FEES SPECIAL REVENUE FUND

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Investment income	\$ -	\$ -	\$ 2,160	\$ 2,160
<b>Total revenues</b>	-	-	2,160	2,160
<b>EXPENDITURES</b>	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	2,160	2,160
<b>OTHER FINANCING USES:</b>				
Transfers out	-	(436,555)	(436,555)	-
<b>Total other financing uses</b>	-	(436,555)	(436,555)	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (436,555)</u>	(434,395)	<u>\$ 2,160</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>434,395</u>	
End of year			<u>\$ -</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, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 108,000	\$ 108,000	\$ 129,324	\$ 21,324
Investment income	-	-	271	271
<b>Total revenues</b>	<u>108,000</u>	<u>108,000</u>	<u>129,595</u>	<u>21,595</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>108,000</u>	<u>108,000</u>	<u>100,000</u>	<u>8,000</u>
<b>Total expenditures</b>	<u>108,000</u>	<u>108,000</u>	<u>100,000</u>	<u>8,000</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	29,595	<u>\$ 29,595</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>14,706</u>	
End of year			<u>\$ 44,301</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, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 21,000	\$ 21,000	\$ 20,705	\$ (295)
Investment income	-	-	823	823
<b>Total revenues</b>	<u>21,000</u>	<u>21,000</u>	<u>21,528</u>	<u>528</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	21,528	<u>\$ 528</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>114,524</u>	
End of year			<u>\$ 136,052</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, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 225,000	\$ 225,000	\$ 245,385	\$ 20,385
Investment income	-	-	77	77
<b>Total revenues</b>	<u>225,000</u>	<u>225,000</u>	<u>245,462</u>	<u>20,462</u>
<b>EXPENDITURES:</b>				
Current:				
Community services	<u>240,088</u>	<u>330,088</u>	<u>307,664</u>	<u>22,424</u>
<b>Total expenditures</b>	<u>240,088</u>	<u>330,088</u>	<u>307,664</u>	<u>22,424</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(15,088)</u>	<u>(105,088)</u>	<u>(62,202)</u>	<u>42,886</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>-</u>	<u>90,000</u>	<u>62,202</u>	<u>(27,798)</u>
<b>Total other financing sources</b>	<u>-</u>	<u>90,000</u>	<u>62,202</u>	<u>(27,798)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (15,088)</u></u>	<u><u>\$ (15,088)</u></u>	<u>-</u>	<u><u>\$ 15,088</u></u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>10,000</u>	
End of year			<u><u>\$ 10,000</u></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, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 135,000	\$ 162,934	\$ 125,847	\$ (37,087)
<b>Total revenues</b>	<u>135,000</u>	<u>162,934</u>	<u>125,847</u>	<u>(37,087)</u>
<b>EXPENDITURES</b>				
Current:				
Community services	<u>135,000</u>	<u>153,884</u>	<u>116,797</u>	<u>37,087</u>
<b>Total expenditures</b>	<u>135,000</u>	<u>153,884</u>	<u>116,797</u>	<u>37,087</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>9,050</u>	<u>9,050</u>	<u>-</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>573</u>	<u>4,193</u>	<u>4,193</u>	<u>-</u>
<b>Total other financing sources</b>	<u>573</u>	<u>4,193</u>	<u>4,193</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 573</u>	<u>\$ 13,243</u>	<u>13,243</u>	<u>\$ -</u>
<b>FUND BALANCE (DEFICIT):</b>				
Beginning of year			<u>(13,243)</u>	
End of year			<u>\$ -</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, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 13,700	\$ 13,700	\$ 13,372	\$ (328)
Investment income	-	-	422	422
<b>Total revenues</b>	<u>13,700</u>	<u>13,700</u>	<u>13,794</u>	<u>94</u>
<b>EXPENDITURES:</b>				
Current:				
Community services	<u>12,000</u>	<u>12,000</u>	<u>293</u>	<u>11,707</u>
<b>Total expenditures</b>	<u>12,000</u>	<u>12,000</u>	<u>293</u>	<u>11,707</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 1,700</u>	<u>\$ 1,700</u>	13,501	<u>\$ 11,801</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>56,799</u>	
End of year			<u>\$ 70,300</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, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Investment income	-	-	1,734	1,734
<b>Total revenues</b>	<u>10,000</u>	<u>10,000</u>	<u>11,734</u>	<u>1,734</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	10,310	11,810	6,449	5,361
Capital Outlay	-	148,700	-	148,700
<b>Total expenditures</b>	<u>10,310</u>	<u>160,510</u>	<u>6,449</u>	<u>154,061</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(310)</u>	<u>(150,510)</u>	<u>5,285</u>	<u>155,795</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	15,733	15,733	-
Transfers out	-	(74,727)	(74,727)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(58,994)</u>	<u>(58,994)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (310)</u>	<u>\$ (209,504)</u>	<u>(53,709)</u>	<u>\$ 155,795</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>247,426</u>	
End of year			<u>\$ 193,717</u>	

## CITY OF LAGUNA WOODS

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

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
<b>REVENUES:</b>				
Investment income	\$ -	\$ -	\$ 1	\$ 1
<b>Total revenues</b>	-	-	1	1
<b>EXPENDITURES:</b>				
Current:				
Community services	5,000	5,000	1,299	3,701
<b>Total expenditures</b>	5,000	5,000	1,299	3,701
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(5,000)	(5,000)	(1,298)	3,702
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	5,000	5,000	5,000	-
<b>Total other financing sources</b>	5,000	5,000	5,000	-
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	3,702	\$ 3,702
<b>FUND BALANCE:</b>				
Beginning of year			-	
End of year			\$ 3,702	

## **STATISTICAL SECTION**

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## DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2017

This part of the City of Laguna Woods' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

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

CITY OF LAGUNA WOODS

NET POSITION BY COMPONENT

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 9,054,330	\$ 10,218,649	\$ 17,891,721	\$ 20,428,076
Restricted	615,239	591,290	2,702,280	165,250
Unrestricted	15,631,995	14,441,848	7,261,961	6,990,401
Total governmental activities net position	<u>\$ 25,301,564</u>	<u>\$ 25,251,787</u>	<u>\$ 27,855,962</u>	<u>\$ 27,583,727</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,					
2012	2013 as restated	2014 as restated	2015	2016	2017
\$ 20,473,643	\$ 22,474,259	\$ 27,395,543	\$ 35,331,456	\$ 33,783,628	\$ 32,095,973
171,390	920,587	669,420	1,464,214	1,587,683	1,371,195
7,708,348	8,115,566	8,289,008	9,399,679	8,898,481	9,704,477
<u>\$ 28,353,381</u>	<u>\$ 31,510,412</u>	<u>\$ 36,353,971</u>	<u>\$ 46,195,349</u>	<u>\$ 44,269,792</u>	<u>\$ 43,171,645</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,			
	2008	2009	2010	2011
Expenses:				
Governmental activities:				
General government	\$ 1,822,451	\$ 2,184,728	\$ 1,943,324	\$ 2,152,892
Public safety	1,562,790	1,652,367	1,756,569	1,715,908
Public works	1,230,035	1,255,018	1,594,940	1,573,552
Community development	817,237	702,813	616,934	838,745
Community services	231,941	420,018	366,327	409,631
Total governmental activities expenses	<u>5,664,454</u>	<u>6,214,944</u>	<u>6,278,094</u>	<u>6,690,728</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	132,470	15,186	140,157	187,584
Public safety	425,158	324,999	449,314	355,642
Public works	-	-	-	-
Community development	-	-	377,082	353,430
Community services	391,673	316,669	-	-
Operating grants and contributions	2,008,063	1,300,228	4,362,757	2,143,059
Capital grants and contributions	<u>100,002</u>	<u>115,743</u>	<u>80,666</u>	<u>100,099</u>
Total governmental activities program revenues	<u>3,057,366</u>	<u>2,072,825</u>	<u>5,409,976</u>	<u>3,139,814</u>
Net revenues (expenses):	<u>\$ (2,607,088)</u>	<u>\$ (4,142,119)</u>	<u>\$ (868,118)</u>	<u>\$ (3,550,914)</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,					
2012	2013 as restated	2014 as restated	2015	2016	2017
\$ 1,427,072	\$ 1,652,166	\$ 1,582,672	\$ 1,378,555	\$ 1,503,279	\$ 1,433,890
1,617,293	1,738,531	1,865,156	1,623,288	2,606,312	2,667,582
1,474,254	165,783	2,090,472	2,588,172	2,654,039	2,440,923
801,271	850,354	700,826	1,102,273	1,107,156	948,873
521,797	440,732	434,773	346,288	487,854	429,479
<u>5,841,687</u>	<u>4,847,566</u>	<u>6,673,899</u>	<u>7,038,576</u>	<u>8,358,640</u>	<u>7,920,747</u>
257,340	121,094	118,820	150,814	90,343	200,896
204,592	258,636	248,537	25,810	5,851	-
-	-	-	699,984	730,203	694,316
422,952	580,765	535,675	-	-	-
30,000	5,319	38,547	-	-	-
1,852,654	3,011,819	1,485,564	1,419,207	1,176,753	782,456
100,032	100,000	1,457,217	10,376,299	205,231	209,447
<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>1,887,115</u>
<u>\$ (2,974,117)</u>	<u>\$ (769,933)</u>	<u>\$ (2,789,539)</u>	<u>\$ 5,633,538</u>	<u>\$ (6,150,259)</u>	<u>\$ (6,033,632)</u>

CITY OF LAGUNA WOODS

CHANGES IN NET POSITION  
GENERAL REVENUES

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 319,982	\$ 270,622	\$ 295,612	\$ 241,632
Property taxes in lieu of VLF	1,598,158	1,770,344	1,743,438	1,732,818
Sales taxes	1,072,091	876,848	798,046	840,953
Franchise fees	388,054	391,352	389,574	389,820
Transient occupancy taxes	457,607	348,280	340,856	350,660
Investment income	467,198	210,934	62,358	46,628
Miscellaneous income	6,915	9,387	6,687	37,389
Total governmental activities	<u>4,310,005</u>	<u>3,877,767</u>	<u>3,636,571</u>	<u>3,639,900</u>
Net program revenues/(expense)	<u>(2,607,088)</u>	<u>(4,142,119)</u>	<u>(868,118)</u>	<u>(3,550,914)</u>
Changes in net position:				
Governmental activities	<u>\$ 1,702,917</u>	<u>\$ (264,352)</u>	<u>\$ 2,768,453</u>	<u>\$ 88,986</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,					
2012	2013 as restated	2014 as restated	2015	2016	2017
\$ 229,802	\$ 384,386	\$ 289,177	\$ 308,786	\$ 328,168	\$ 428,265
1,627,101	1,649,600	1,557,290	1,803,982	984,031	2,062,919
855,533	850,241	980,556	908,621	475,926	888,817
607,785	688,948	628,027	604,739	626,027	662,027
396,797	404,110	443,361	452,293	1,949,418	487,391
26,753	20,438	19,428	26,810	44,394	73,727
-	-	-	102,609	-	-
<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>4,603,146</u>
<u>(2,974,117)</u>	<u>(769,933)</u>	<u>(2,789,539)</u>	<u>5,633,538</u>	<u>(6,150,259)</u>	<u>(6,033,632)</u>
<u>\$ 769,654</u>	<u>\$ 3,227,790</u>	<u>\$ 1,128,300</u>	<u>\$ 9,841,378</u>	<u>\$ (1,742,295)</u>	<u>\$ (1,430,486)</u>

CITY OF LAGUNA WOODS  
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
General fund:				
Reserved	\$ 4,160,679	\$ 4,267,545	\$ 500,000	\$ -
Unreserved	9,959,588	9,472,573	6,746,610	-
Total general fund	<u>\$ 14,120,267</u>	<u>\$ 13,740,118</u>	<u>\$ 7,246,610</u>	<u>\$ -</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	952,178	637,441	2,702,280	-
Debt service funds	-	-	-	-
Capital projects funds	299,374	184,024	151,349	-
Total all other governmental funds	<u>\$ 1,251,552</u>	<u>\$ 821,465</u>	<u>\$ 2,853,629</u>	<u>\$ -</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ 104,107
Restricted	-	-	-	-
Assigned	-	-	-	763,235
Unassigned	-	-	-	6,269,079
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,136,421</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	165,250
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,250</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,					
2012	2013 as restated	2014 as restated	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 66,466	\$ 75,761
-	-	32,300	-	602	-
1,021,165	1,859,674	1,774,782	1,728,998	679,260	285,734
6,815,516	6,845,440	7,485,338	8,348,147	8,861,873	9,293,180
<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>	<u>\$ 9,654,675</u>
1,005,889	\$ -	\$ -	\$ -	\$ -	\$ -
-	920,587	561,920	1,464,214	1,746,561	1,371,195
(923,251)	-	-	-	-	-
<u>(923,251)</u>	<u>(358,308)</u>	<u>(852,083)</u>	<u>(486,915)</u>	<u>(338,715)</u>	<u>(114,932)</u>
<u>\$ 82,638</u>	<u>\$ 562,279</u>	<u>\$ (290,163)</u>	<u>\$ 977,299</u>	<u>\$ 1,407,846</u>	<u>\$ 1,256,263</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,			
	2008	2009	2010	2011
Revenues:				
Taxes and assessments	\$ 1,111,395	\$ 923,977	\$ 1,682,332	\$ 1,904,699
Intergovernmental	4,199,636	4,194,778	6,330,845	3,499,723
Franchise fees	393,239	391,352	389,576	389,821
Charges for services	414,330	329,185	517,854	494,431
Fines and forfeitures	287,923	324,999	449,315	355,642
Investment income	451,607	225,233	70,561	51,432
Miscellaneous	6,727	11,887	6,064	83,966
Total revenues	<u>6,864,857</u>	<u>6,401,411</u>	<u>9,446,547</u>	<u>6,779,714</u>
Expenditures				
Current:				
General government	1,363,726	1,459,638	8,299,925	2,068,618
Public safety	1,577,904	1,666,666	1,756,569	1,715,908
Public works	2,057,715	2,964,225	2,916,620	4,184,158
Community development	817,237	702,813	616,934	838,745
Community services	231,941	420,018	366,327	409,631
Capital outlay	-	-	-	-
Total expenditures	<u>6,048,523</u>	<u>7,213,360</u>	<u>13,956,375</u>	<u>9,217,060</u>
Excess (deficiency) of revenues over (under) expenditures	<u>816,334</u>	<u>(811,949)</u>	<u>(4,509,828)</u>	<u>(2,437,346)</u>
Other financing sources (uses):				
Transfers in	493,918	1,004,929	53,654	27,505
Transfers out	<u>(493,918)</u>	<u>(1,004,929)</u>	<u>(53,654)</u>	<u>(27,505)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 816,334</u>	<u>\$ (811,949)</u>	<u>\$ (4,509,828)</u>	<u>\$ (2,437,346)</u>

Source: City of Laguna Woods, Administrative Services Department



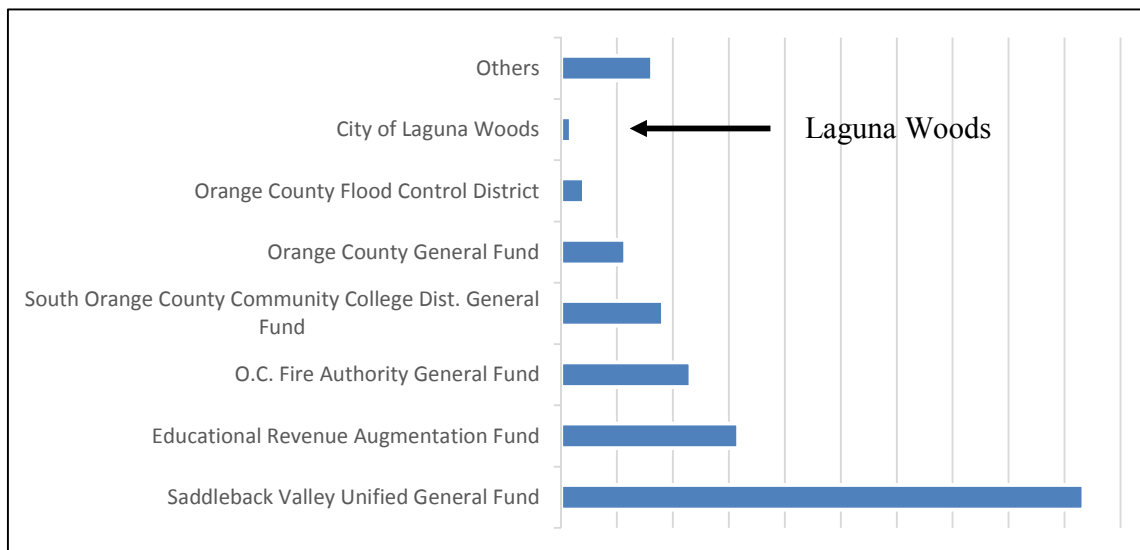
Fiscal Year Ended June 30,					
2012	2013 as restated	2014 as restated	2015	2016	2017
\$ 1,985,268	\$ 2,085,041	\$ 3,828,708	\$ 4,005,500	\$ 4,094,673	\$ 4,185,064
2,962,692	4,424,819	1,763,196	1,769,480	1,011,982	750,304
607,787	688,949	628,028	604,739	539,107	748,947
623,471	689,184	610,251	699,984	730,203	694,316
210,089	259,561	248,089	25,810	5,851	-
28,979	22,724	19,428	24,300	46,905	73,728
81,112	17,021	123,340	150,814	192,950	186,300
<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>	<u>6,638,659</u>
1,352,679	1,566,398	1,660,037	1,259,342	1,519,438	1,860,609
1,617,293	1,738,531	1,865,156	1,637,906	2,621,018	2,667,582
1,588,710	2,243,210	2,825,384	885,016	899,623	785,903
801,271	850,354	700,826	1,102,273	1,107,156	948,873
521,797	440,732	434,773	343,903	489,051	429,479
-	-	-	-	-	51,322
<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>6,743,768</u>
617,648	1,348,074	(265,136)	2,052,187	(14,615)	(105,109)
71,738	-	25,000	-	27,528	882,275
<u>(71,738)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>(27,528)</u>	<u>(882,275)</u>
-	-	-	-	-	-
<u>\$ 617,648</u>	<u>\$ 1,348,074</u>	<u>\$ (265,136)</u>	<u>\$ 2,052,187</u>	<u>\$ (14,615)</u>	<u>\$ (105,109)</u>

CITY OF LAGUNA WOODS  
PROPERTY TAX DOLLAR BREAKDOWN

For Fiscal Year 2016-17

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
<b>Laguna Woods General Fund</b>	<b>\$0.0088</b>
Orange County Transit Authority	\$0.0029
Orange County Vector Control District	\$0.0011
Orange County Cemetery Fund - General	\$0.0005
<b>Total Annual Tax Increment (ATI)</b>	<b>\$1.0000</b>

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



Source: Orange County Assessor - FY 2016-17 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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Direct Rates										
Basic Levy	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	0.01019	0.00971	0.01077	0.01105	0.01101	0.01171	0.00972	0.00900	0.00845	0.00843
Laguna Beach										
Unified	0.01808	0.01544	0.01683	0.01582	0.01601	0.01694	0.01567	0.01461	0.01396	0.01371
Metropolitan										
Water Dist.	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350
Saddleback										
Valley										
Unified	0.02668	0.02834	0.03043	0.03194	0.03163	0.03265	0.03207	0.02806	0.03008	0.02688
Total Direct & Overlapping Tax Rates	<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>	<u>1.05252</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 - 2007-08 through 2016-17 Tax Rate Table  
HdL, Coren & Cone

## CITY OF LAGUNA WOODS

## OVERLAPPING DEBT

As of June 30, 2017  
(rate per \$100 of taxable value)

	Gross Bonded Debt Balance	Percent Applicable To City	Net Bonded Debt
<b>Overlapping Debt</b>			
628.01 CAPISTRANO UNION SFID#1 1999 BOND #2002C	18,700,000	0.053%	9,953
629.01 CAPISTRANO UNION SFID#1 1999 BOND #2001B	8,512,966	0.053%	4,531
6AB.01 SADDLEBACK VALLEY USD 2004 BOND #2004A	65,760,000	7.035%	4,626,469
6AW.01 SADDLEBACK VALLEY USD 2004 SERIES #2004B	35,140,000	7.035%	2,472,234
6BM.01 LAGUNA BEACH USD 2010 GO REFUNDING BOND	24,755,000	0.863%	213,684
6CZ.01 SADDLEBACK VALLEY USD 2013 REF	7,685,000	7.035%	540,669
6DK.01 SADDLEBACK VALLEY USD GOB EL 2014, SERIES 2016A	10,000,000	7.035%	703,538
C55.14 METROPOLITAN WATER DISTRICT (1)	15,208,339	0.591%	89,847
<b>Total Overlapping Debt</b>			<b>8,660,925</b>

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	0.31%
	Total Debt	0.31%

**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 2016-17 Lien Date Tax Rolls  
HdL, Coren & Cone

## CITY OF LAGUNA WOODS

## TOP TEN PROPERTY TAXPAYERS - FY 2007-08

## Principal Property Owners Based on Net Values

Owner	Secured			Unsecured		
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV
1) United Laguna Hills Mutual*	91	\$721,394,265	32.28%	16	\$868,138	3.19%
2) Cheryl M Lloyd*	2	\$25,972,691	1.16%			
3) Raintree Realty LLC*	3	\$25,331,636	1.13%			
4) Avalon Regency LLC	1	\$19,763,883	0.88%			
5) Standard Pacific Corporation	1	\$19,694,520	0.88%			
6) KPL Villas LLC	1	\$16,229,594	0.73%	1	\$12,689	0.05%
7) Avalon Las Palmas LLC Gate Three HC*	2	\$15,519,961	0.69%	1	\$475,523	1.75%
8) Mike M Abdelaaty	1	\$12,960,491	0.58%			
9) Camino Oaks Limited	3	\$11,704,205	0.52%			
10) Ayres-Laguna Woods LP*	1	\$9,366,000	0.42%	3	\$1,275,130	4.68%
<b>Top Ten Total</b>	<b>106</b>	<b>\$877,937,246</b>	<b>39.28%</b>	<b>21</b>	<b>\$2,631,480</b>	<b>9.66%</b>
<b>City Total</b>		<b>\$2,234,948,436</b>			<b>\$27,240,322</b>	

Owner		Combined		Primary Use &
		Value	% of Net	
1)	United Laguna Hills Mutual*	\$722,262,403	31.93%	R
2)	Raintree Realty LLC*	\$25,972,691	1.15%	C
3)	SHP II Rossmoor LLC	\$25,331,636	1.12%	C
4)	Laguna Hills Assisted I LP Gate Three HC*	\$19,763,883	0.87%	I
5)	KPL Villas LLC	\$19,694,520	0.87%	C
6)	Camino Oaks Limited	\$16,242,283	0.72%	C
7)	Ayres-Laguna Woods LP	\$15,995,484	0.71%	C
8)	Home Depot USA Inc	\$12,960,491	0.57%	C
9)	Ferrucci Properties LLC	\$11,704,205	0.52%	C
10)	Mark IV Capital Inc*	\$10,641,130	0.47%	C
<b>Top Ten Total</b>		<b>\$880,568,726</b>	<b>38.93%</b>	
<b>City Total</b>		<b>\$2,262,188,758</b>		

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 2007-08 Combined Tax Rolls and the SBE Non Unitary Tax Roll  
HdL, Coren & Cone

CITY OF LAGUNA WOODS

TOP TEN PROPERTY TAXPAYERS - FY 2016-17

Principal Property Owners Based on Net Values

Owner	Secured			Unsecured		
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV
1) J C Harmaning Jr Trust*	35	\$462,452,813	16.84%			0.00%
2) United Laguna Hills Mutual*	52	\$128,542,946	4.68%	60	\$1,526,299	6.32%
3) Federal National Mortgage Association*	10	\$94,781,092	3.45%			0.00%
4) EPC Regency LLC	1	\$37,348,568	1.36%			0.00%
5) Behringer Harvard San Sebastian	134	\$37,241,125	1.36%			0.00%
6) William H Welch*	2	\$36,724,472	1.34%			0.00%
7) Ronda Mendoza Trust*	1	\$34,058,295	1.24%			0.00%
8) AB NA	2	\$33,589,840	1.22%			0.00%
9) EPC Las Palmas LLC	2	\$29,426,142	1.07%			0.00%
10) Rosemarie D Freund*	1	\$25,658,684	0.93%			0.00%
<b>Top Ten Total</b>	<b>240</b>	<b>\$919,823,977</b>	<b>33.49%</b>	<b>60</b>	<b>\$1,526,299</b>	<b>6.32%</b>
<b>City Total</b>		<b>\$2,746,863,438</b>			<b>\$24,143,207</b>	

Owner	Combined		Primary Use &
	Value	% of Net	
1) United Laguna Hills Mutual*	\$462,452,813	16.69%	R
2) Federal National Mortgage Association*	\$130,069,245	4.69%	R
3) Michael J Incardone*	\$94,781,092	3.42%	R
4) Dale K Lyle*	\$37,348,568	1.35%	R
5) Peter C Battin Jr.*	\$37,241,125	1.34%	R
6) Avalon Regency LLC	\$36,724,472	1.33%	C
7) Behringer Harvard San Sebastian	\$34,058,295	1.23%	R
8) Beverly J. Wolofski	\$33,589,840	1.21%	R
9) Elizabeth Ryan*	\$29,426,142	1.06%	R
10) Julie L. Myers*	\$25,658,684	0.93%	R
<b>Top Ten Total</b>	<b>\$921,350,276</b>	<b>33.25%</b>	
<b>City Total</b>	<b>\$2,771,006,645</b>		

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 2016-17 Combined Tax Rolls and the SBE Non Unitary Tax Roll  
HdL, Coren & Cone

CITY OF LAGUNA WOODS

PROPERTY USE CATEGORY SUMMARY - FY 2016-17

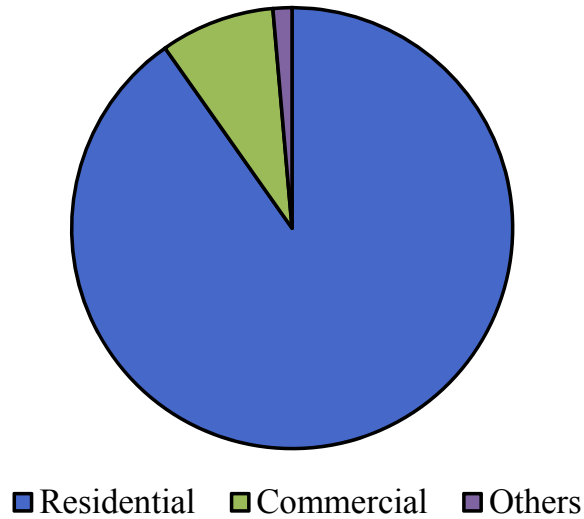
Basic Property Value Table

Category	Secured				
	Parcels	Assesd Value	% of AV	Net Taxable Value	% of Net AV
Residential	6618	\$2,508,381,284	89.7%	\$2,504,594,671	90.4%
Commercial	42	\$238,108,979	8.5%	\$228,050,908	8.2%
Industrial	3	\$11,592,252	0.4%	\$11,592,252	0.4%
Agricultural	1	\$79,238	0.0%	\$79,238	0.0%
Vacant	4	\$1,216,836	0.0%	\$1,216,836	0.0%
Exempt	247	\$7,725,834	0.3%	\$0	0.0%
Cross Reference (1)	(33)	\$4,407,373	0.2%	\$1,329,533	0.0%
Unsecured (1)	(323)	\$23,979,164	0.9%	\$24,143,207	0.9%
<b>Totals</b>	<b>6915</b>	<b>\$2,795,490,960</b>	<b>100.0%</b>	<b>\$2,771,006,645</b>	<b>100.0%</b>

**Note:**

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

**NET TAXABLE VALUE**



Source: Orange County Assessor - FY 2016-17 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
2008	Not available	(12,047)	Not available	12,047	-	Not available
2009	Not available	(9,853)	Not available	9,853	-	Not available
2010	Not available	(9,592)	Not available	9,592	-	Not available
2011	Not available	(5,492)	Not available	5,492	-	Not available
2012	408,142	(4,757)	-1.17%	4,757	-	0.00%
2013	421,164	(96,010)	-22.80%	96,010	-	0.00%
2014	417,701	(3,175)	-0.76%	3,175	-	0.00%
2015	457,287	(1,322)	-0.29%	1,322	-	0.00%
2016	295,957	231,501	78.22%	1,870	233,371	78.85%
2017	258,634	8,248	3.19%	-	8,248	3.19%

**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

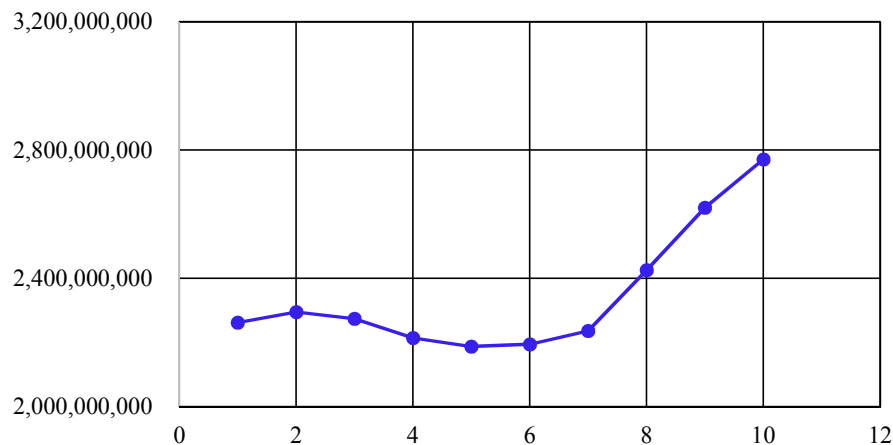
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Secured	Unsecured	Taxable Assessed Value	Percentage Change	Parcel Count
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
2017	2,746,863,438	24,143,207	2,771,006,645	5.75%	6,991

### 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.

### TAXABLE ASSESSED VALUE



Source: Orange County Assessor - 2007-08 through 2016-17 Combined Tax Rolls

HdL, Coren & Cone

CITY OF LAGUNA WOODS  
TOP 25 SALES TAX PRODUCERS  
For Fiscal Year 2007-08

Business Name*	Business Category
Adapt 2 It	Medical/Biotech
California Lacrosse Inc	Sporting Goods/Bike Stores
Dominos Pizza	Quick-Service Restaurants
El Toro Pharmacy	Drug Stores
Embroidme	Family Apparel
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
Officemax	Office Supplies/Furniture
Okon Dental Lab	Medical/Biotech
Olive Garden	Casual Dining
Papa Johns Pizza	Quick-Service Restaurants
Rite Aid	Drug Stores
Starbucks	Quick-Service Restaurants
Stater Bros	Grocery Stores-Liquor
Sushi Wok	Casual Dining
Vons	Grocery Stores-Liquor

Percent of Fiscal Year Total Paid by Top 25 Accounts = 97.07%

\* Firms Listed Alphabetically

(Period: April 2007 thru March 2008)

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

CITY OF LAGUNA WOODS  
TOP 25 SALES TAX PRODUCERS  
For Fiscal Year 2016-17

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
Golden Rain Foundation	Government/Social Org.
Home Depot	Lumber/Building Materials
Jack in the Box	Quick-Service Restaurants
Jersey Mikes Subs	Fast-Casual Restaurants
Leisure World Mobil	Service Stations
McCormick & Son	Morticians and Undertakers
Mothers Market	Grocery Stores
Moulton Arco AM PM	Service Stations
OfficeMax	Office Supplies/Furniture
Okon Dental Lab	Medical/Biotech
Olive Garden	Casual Dining
Papa Johns Pizza	Quick-Service Restaurants
Prestine Wellness	Medical/Biotech
Rite Aid	Drug Stores
Saddleback Golf Cars	Boats/Motorcycles
Stage 21 Bikes	Sporting Goods/Bike Stores
Starbucks	Quick-Service Restaurants
Stater Bros	Grocery Stores-Liquor
Tomo Sushi	Casual Dining
Valvoline Instant Oil Change	Auto Repair Shops

Percent of Fiscal Year Total Paid by Top 25 Accounts = 97.26%

\* Firms Listed Alphabetically

(Period: April 2016 thru March 2017)

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)

	2007	2008	2009	2010
Eating and Drinking Places	\$ 10,778	\$ 10,545	\$ 10,569	\$ 10,903
Other Retail Stores	65,815	63,214	56,805	56,952
All Other Outlets	13,405	14,504	13,411	12,597
Total sales	<u>\$ 89,998</u>	<u>\$ 88,263</u>	<u>\$ 80,785</u>	<u>\$ 80,452</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) 2015 data as reported in the FY 2015-16 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

2011		2012		2013		2014		2015 (2)		2016	
\$	10,862	\$	10,708	\$	10,887	\$	11,625	\$	12,492	\$	11,220
	59,779		61,556		63,728		66,149		66,270		62,735
	14,352		15,661		15,846		14,757		14,762		15,606
\$	84,993	\$	87,925	\$	90,461	\$	92,531	\$	93,524	\$	89,561

CITY OF LAGUNA WOODS  
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	Median Age (2)
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
2016	16,319	\$ 631,062	\$ 38,670	4.10%	74.9

**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 2016 and Nine Years Ago

2016		
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%

2007		
Employer	Estimated Number of Employees	Percent of Total Employment
Laguna Woods Village	1,000	38.46%
Manorcare Health Services Inc.	150	5.77%
Renaissance Senior Living LLC	100	3.85%
Gmri Inc.	86	3.31%
OCB Restaurant Company LLC	56	2.15%

**Notes:**

- (1) Calendar year 2016 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 2007 Orange County Progress Reports (Hoovers Business Information Database [2016 and 2007])

CITY OF LAGUNA WOODS  
ASSESSSED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years  
(accrual bases of accounting)

Category	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Residential	2,043,751,578	2,007,133,935	1,962,570,692	1,924,235,756
Commercial	162,189,222	203,116,105	206,493,225	245,051,889
Industrial	12,738,664	12,993,437	11,923,610	10,417,199
Agricultural	70,016	71,416	72,844	72,671
Institutional	14,137,913	37,665,382	38,418,689	-
Vacant	1,233,598	1,258,269	1,283,433	1,470,832
Cross Reference	827,445	857,686	521,170	512,647
Unsecured	27,240,322	32,005,037	52,434,822	31,914,975
Exempt (1)	(3,035,561)	(6,893,726)	(7,306,093)	(7,049,339)
Totals	<u>2,262,188,758</u>	<u>2,295,101,267</u>	<u>2,273,718,485</u>	<u>2,213,675,969</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 2007-08 through FY 2016-17 Combined Tax Rolls  
HdL, Coren & Cone



Fiscal Year Ended June 30,					
2012	2013 as restated	2014 as restated	2015	2016	2017
1,934,950,643	1,938,957,534	1,982,057,711	2,171,362,601	2,364,906,778	2,508,381,284
206,212,280	209,170,969	213,924,549	215,235,603	219,510,257	238,108,979
9,858,815	10,055,990	9,939,949	10,184,717	11,418,127	11,592,252
73,218	74,682	76,175	76,520	78,048	79,238
-	-	-	-	-	-
1,345,031	1,822,131	1,473,682	1,480,370	1,509,945	1,216,836
543,083	449,819	428,736	600,911	658,177	4,407,373
33,958,519	33,093,242	28,493,026	26,520,067	22,267,774	23,979,164
(7,138,680)	(7,281,425)	(7,427,044)	(7,460,756)	(7,609,792)	(7,725,834)
2,186,941,589	2,193,624,367	2,236,393,828	2,425,460,789	2,620,349,106	2,787,765,126
0.00879	0.00879	0.00879	0.00879	0.00879	0.00879

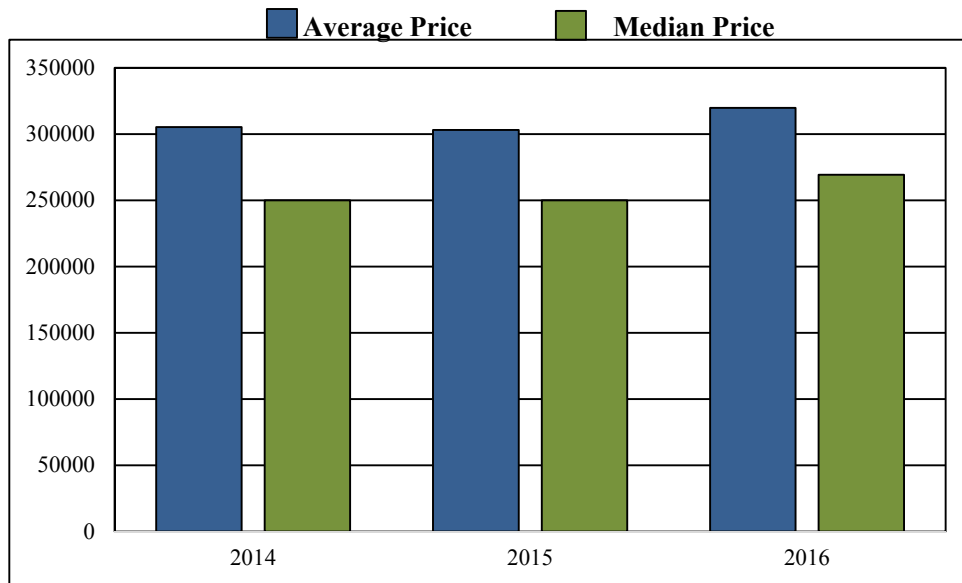
CITY OF LAGUNA WOODS  
RESIDENTIAL SALES VALUE HISTORY

Last Three Calendar Years

Calendar Year	Full Value Sales	Average Price	Median Price	Median % Change
2015 (2)	533	\$303,171	\$250,000	N/A
2016 (2)	542	\$329,910	\$280,000	12.00%
2017	273	\$369,194	\$320,000	14.59%

**Note:**

- (1) Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.  
(2) 2016 data as reported in the FY 2015-16 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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government (1)	3.00	3.00	3.13	3.00	2.00	2.06	2.50	3.00	2.19	2.43
Administrative services	4.00	4.25	3.75	3.75	3.75	3.88	3.76	3.48	4.00	3.90
Community services (2)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.42	-
Community development	1.00	1.50	2.00	2.00	2.20	2.13	2.00	1.00	0.38	0.88
Public Protection (3)	-	-	-	-	1.00	0.13	0.13	-	-	-
Public Works	-	-	-	-	-	-	-	-	0.63	1.00
Total	<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>	<u>8.21</u>

**Notes:**

- (1) The City Manager provide staff support to multiple functions, but are reported in general government.
- (2) Beginning January 2016, personnel accounted for in the General Government and Administrative services section are responsible for coordinating community services and events.
- (3) The City contracts out for law enforcement services and is served by a joint power authority for fire services. Personnel accounted for in the General government section are responsible for coordinating with public safety partners.

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police:</b>										
Activity initiated by -										
Calls for Service	2349	2375	2521	2607	2767	2722	2829	2852	2835	2682
Office/Field Initiated	250	377	382	394	439	434	350	387	683	957
Total Calls Handeled	2599	2752	2903	3001	3206	3156	3179	3239	3518	3639
<b>Arrests</b>										
Part 1 Crimes	127	117	119	153	152	137	124	119	160	146
Part 2 Crimes	114	108	125	134	113	139	107	90	78	86
<b>Fire:</b>										
Number of calls answered (1)	4,349	4,350	4,399	4,560	4,717	4,748	4,306	4,847	5,321	5,636
<b>Public works: (2)</b>										
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 2016-17 there were 633 such responses.
- (2) The City currently tracks resurfaced areas in total, and not by year. As of June 30, 2017, there were 0.0812 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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	2	2	2	3	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

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