

CITY OF LAGUNA WOODS  
Laguna Woods, California

Basic Financial Statements  
and Supplementary Data

Year ended June 30, 2004

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CITY OF LAGUNA WOODS  
Basic Financial Statements and Supplementary Data  
Year ended June 30, 2004

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CITY OF LAGUNA WOODS

Basic Financial Statements and Supplementary Data

Year ended June 30, 2004

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Basic Financial Statements and Supplementary Data

Year ended June 30, 2004

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## FINANCIAL SECTION

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

Independent Auditors' Report

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, California, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Laguna Woods. Our responsibility is to express an opinion 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Woods, California, as of June 30, 2004, and the changes in financial position of the City of Laguna Woods, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed further in the notes to the basic financial statements, the accompanying financial statements reflect certain changes in the presentation of financial data required as a result of the implementation of GASB Statement No. 34 for the year ended June 30, 2004.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council  
City of Laguna Woods  
Laguna Woods, California  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laguna Woods, California's basic financial statements. The supplementary schedules identified in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Laguna Woods, California. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Conrad and Associates, L.L.P.*

January 21, 2005



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# ***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 year ended June 30, 2004. This document should be read in conjunction with the accompanying transmittal letter and basic financial statements. Please note that this is the first year the City of Laguna Woods has used this reporting format. The City is now in full compliance with GASB 34 requirements and GAAP standards for reporting financial information.

### **FINANCIAL HIGHLIGHTS**

- The City ended Fiscal Year 2003-2004 with total net assets of \$12,284,634, including capital assets.
- During the year, the City's taxes and other revenues exceeded expenditures by \$600,735.
- The total revenue from all sources equaled \$6,110,077.
- The total expenses from all sources equaled \$5,509,342.
- The General Fund reported ending fund balance of \$6,833,882 and excess revenues over expenditures of \$1,627,823.
- The Gas Tax Special Revenue Fund reported ending fund balance of \$1,483,527 and excess expenditures over revenues of (\$387,121).
- The Arterial Highway Special Revenue Fund reported ending fund deficit of (\$325,000) and excess expenditures over revenues of (\$325,000).

### **USING THIS ANNUAL REPORT**

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

#### **Reporting the City as a Whole: The Statement of Net Assets and the Statement of Activities**

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of this year's activities?". The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting

method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in these net assets. The City's net assets, the difference between assets and liabilities, are one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. We are pleased to report that the City's net assets increased during Fiscal Year 2003-2004 despite significant fiscal challenges. Consideration should also be given to other non-financial factors, such as changes in the City's property tax bases and the condition of the City's roads, to assess the overall health of the City.

The City's basic services fall into the category of governmental activities. Governmental activities are activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets and the Statement of Activities present information about governmental activities, including General Government, Community Development, Public Safety, Public Works and Community Services. Property Tax, Sales Tax, Transient Occupancy Tax, Franchise Tax and Motor Vehicle-in-Lieu Fees finance approximately 70% of all governmental activities.

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

The Fund Financial Statements provide detailed information about the most significant funds, not the City as a whole. Included are the General Fund and the Gas Tax and Arterial Highway Special Revenue Funds which were classified as major funds. Lesser funds are reported collectively as Other Governmental Funds. Some funds are required to be established by State law, however, the City establishes many other funds to help control and manage money for specific purposes or to demonstrate compliance with legal requirements for using certain taxes, grants, and other monies. The City currently has only governmental funds.

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

The Governmental Fund statements provide a detailed view of the City's general government 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 relationship (or difference) between governmental activities (reported in the Statement of Net Assets and Statement of

Activities) and Governmental Funds are described in the reconciliation after the fund financial statements.

## THE CITY AS A WHOLE

The analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities.

*Table 1*  
*Net Assets*  
*June 30, 2004*

### Governmental Activities

Cash and investments	\$ 8,406,166
Capital assets, net	3,630,242
Other Receivables and Assets	<u>869,446</u>
<b>Total Assets</b>	<b><u>12,905,854</u></b>
Accounts payable and accrued expenses	532,994
Long-term liabilities	<u>88,226</u>
<b>Total Liabilities</b>	<b><u>621,220</u></b>
Invested in capital assets, net of accumulated depreciation	3,630,242
Restricted	1,560,697
Unrestricted	<u>7,093,695</u>
<b>Total net Assets</b>	<b><u>\$12,284,634</u></b>

*Table 2*  
*Changes in Net Assets*  
*Year Ended June 30, 2004*

Government and Business Type Activities

**Revenues**

Program revenues:

Charges for services	\$ 310,514
Operating contributions and grants	1,422,146
Capital contributions and grants	<u>103,657</u>

<b>Total program revenues</b>	<b>1,836,317</b>
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General revenues:

Taxes:

Property taxes	267,030
Sales taxes	854,172
Motor vehicle in lieu tax	2,322,804
Franchise taxes	239,143
Transient occupancy taxes	272,387
Investment income	82,738
Other	<u>235,486</u>

<b>Total general revenues</b>	<b>4,273,760</b>
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**Expenses**

Governmental activities:

General government	1,480,665
Public safety	794,487
Public works	2,522,260
Community development	376,837
Community services	<u>335,093</u>

Total governmental activities	<u>5,509,342</u>
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<b>Total expenses</b>	<b><u>5,509,342</u></b>
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<b>Increase/(Decrease) in net assets</b>	<b><u>\$ 600,735</u></b>
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- Current and other assets were \$9,275,612 as year end.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations within Fund-specific guidelines are \$7,093,695.

- The City's total program and general revenues were \$1,836,317 and \$4,273,760, respectively, totaling \$6,110,077 while the total cost of all programs and services was \$5,509,342.
- State Motor Vehicle-in-Lieu fees of \$1,051,032 are the City's largest revenue source at 38%. These revenues fund a significant portion of the City's basic services.
- Sales Tax of \$854,172 is the City's second largest revenue source at 14%.

### Government Activities

Table 3 presents the cost of each of the City's governmental activity programs, General Government, Community Development (planning and building), Public Safety, Community Services and Public Works, 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 and Business-type Activities**  
**Year Ended June 30, 2004**

	<u>Total Cost Of Service</u>	<u>Net Cost of Services</u>
General Government	\$1,480,665	(1,466,696)
Public Safety	794,487	(604,940)
Public Works	2,522,260	(1,290,851)
Community Development	376,837	(324,736)
Community Services	<u>335,093</u>	<u>14,198</u>
<b>Total</b>	<b><u>\$5,509,342</u></b>	<b><u>(3,673,025)</u></b>

- General Government expenses comprise 26% of the governmental expenditures and include City Council, City Administrator, City Clerk, City Attorney, Administrative Services, Support Services and Risk Management. Charges for services reduce the cost of this program.
- Public Safety expenses comprise 15% of the governmental expenses. Revenue from fines and Federal and State operating grants reduce the cost of this program.
- Public Works expenses comprise 47% of the governmental expenses. Operating contributions and grants help to reduce the cost of these expenses.

- Community Development expenses comprise 6% of the governmental expenses. Various building and planning fee revenues reduce the cost of this program.
- Community Services expenses comprise 6% of the governmental expenditures. Charges for special events and the use of City facilities help to offset these expenditures.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At fiscal year-end the City's Governmental Funds reported a combined fund balance of \$8,417,618. \$6,833,882 and \$1,483,527 of this fund balance is in the General Fund and the Gas Tax Fund, respectively. The City's General Fund Balance equates to about 81% of one full year of General Fund expenditures. Future fund balance levels are as yet undetermined.

### General Fund Budgetary Highlights:

**Revenues:** Actual revenues slightly exceeded the budget by \$507,196 or 12% primarily as a result of aggressive State and local revenue collection efforts. Correspondingly, Sales Tax, Transient Occupancy Tax and Motor Vehicle-in-Lieu Fees were higher than projected.

**Expenditures:** Actual expenditures were \$1,957,288 or 66% less than budgeted. Correspondingly, General Government and Public Safety expenditures were less than projected.

## CAPITAL ASSETS

The capital assets for governmental activities totaled \$3,854,958 at year-end primarily consisting of the City's land assets. During the fiscal year, the City had \$95,874 of depreciation expense on capital assets which increased accumulated depreciation to \$224,715 as of fiscal year end. The capital asset detail is as follows:

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

Land	\$3,050,000
Leasehold improvements	692,888
Equipment and furniture	86,332
Construction in progress	25,738
Less accumulated depreciation	<u>(224,715)</u>
<b>Total net capital assets</b>	<b><u>\$3,630,243</u></b>



## **Debt**

The City of Laguna Woods currently has no debt obligations. However, claims payable and compensated absences are classified as long-term liabilities and totaled \$50,450 and \$37,776, respectively, as of fiscal year end.

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

The City's primary revenue sources are all potentially affected by economic factors or legislative action. One of the City's most significant revenue sources is the Motor Vehicle-in-Lieu Fee which has been reduced. However, these funds will be replaced through Supplemental Property Tax in lieu of Motor Vehicle-in-Lieu Fees in future years. Sales taxes are currently performing above expectations but may change due to consumer economic uncertainty. Property Tax is projected to exceed initial budget projections due to higher market valuations. The City's Transient Occupancy Tax is not heavily reliant on tourism, thus it continues to be a relatively stable source of revenue.

## **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, contact the City of Laguna Woods, Administrative Services Department, 24264 El Toro Road, Laguna Woods, California 92637 or call (949) 639-0500.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

# CITY OF LAGUNA WOODS

## Statement of Net Assets

June 30, 2004

	Governmental Activities
Assets:	
Cash and investments (note 2)	\$ 8,406,166
Accounts receivable	68,992
Interest receivable	25,937
Due from other governments	763,838
Deposits	10,679
Capital assets (note 5):	
Capital assets not being depreciated	3,075,738
Capital assets being depreciated, net of accumulated depreciation	554,504
Total assets	12,905,854
Liabilities:	
Accounts payable	509,799
Accrued expenses	23,195
Long-term liabilities (notes 6):	
Portion due within one year:	
Compensated absences	26,903
Claims payable	50,450
Portion due beyond one year:	
Compensated absences	10,873
Total liabilities	621,220
Net assets:	
Invested in capital assets	3,630,242
Restricted for:	
Community development	33,430
Public safety	238,661
Public works	1,214,461
Community services	74,145
Unrestricted	7,093,695
Total net assets	\$ 12,284,634

# CITY OF LAGUNA WOODS

## Statement of Activities

Year ended June 30, 2004

	Program Revenues			Net Governmental Activities
Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
<b><u>Governmental activities:</u></b>				
General government	\$ 1,480,665	13,969	-	(1,466,696)
Community development	376,837	-	52,101	(324,736)
Public safety	794,487	35,961	49,929	(604,940)
Public works	2,522,260	330	1,231,079	(1,290,851)
Community services	335,093	260,254	89,037	14,198
 Total governmental activities	 <u>\$ 5,509,342</u>	 <u>310,514</u>	 <u>1,422,146</u>	 <u>(3,673,025)</u>
 General revenues:				
Taxes:				
Property taxes				267,030
Sales taxes				854,172
Transient occupancy taxes				272,387
Franchise taxes				239,143
State motor vehicle in lieu				2,322,804
Investment income				82,738
Other				235,486
 Total general revenues				 <u>4,273,760</u>
 Change in net assets				 600,735
 Net assets at beginning of year, as restated (notes 13 and 14)				 <u>11,683,899</u>
 Net assets at end of year				 <u>\$ 12,284,634</u>

## FUND FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS  
Governmental Funds  
Balance Sheet  
June 30, 2004

		Special Revenue Funds		Other	
			Arterial Hwy	Governmental	
	<u>General</u>	<u>Gas Tax</u>	<u>Rehabilitation</u>	<u>Funds</u>	<u>Totals</u>
<b>Assets</b>					
Cash and investments (note 2)	\$ 6,200,014	1,622,940	-	583,212	8,406,166
Receivables:					
Accounts	55,778	-	-	13,214	68,992
Interest	23,697	2,240	-	-	25,937
Due from other funds (note 3)	462,625	-	-	-	462,625
Due from other governments	290,476	81,805	325,000	66,557	763,838
Deposits	10,679	-	-	-	10,679
Total assets	<u>\$ 7,043,269</u>	<u>1,706,985</u>	<u>325,000</u>	<u>662,983</u>	<u>9,738,237</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 186,192	223,458	-	100,149	509,799
Accrued salaries and benefits	23,195	-	-	-	23,195
Due to other funds (note 3)	-	-	325,000	137,625	462,625
Deferred revenue	-	-	325,000	-	325,000
Total liabilities	<u>209,387</u>	<u>223,458</u>	<u>650,000</u>	<u>237,774</u>	<u>1,320,619</u>
Fund balances (deficits):					
Reserved for:					
Deposits	10,679	-	-	-	10,679
Contingent liabilities	500,000	-	-	-	500,000
Unreserved:					
Undesignated, reported in:					
General fund	6,323,203	-	-	-	6,323,203
Special revenue funds	-	1,483,527	(325,000)	425,209	1,583,736
Total fund balances	<u>6,833,882</u>	<u>1,483,527</u>	<u>(325,000)</u>	<u>425,209</u>	<u>8,417,618</u>
Total liabilities and fund balances	<u>\$ 7,043,269</u>	<u>1,706,985</u>	<u>325,000</u>	<u>662,983</u>	<u>9,738,237</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA WOODS  
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets

June 30, 2004

Fund balances of governmental funds	\$ 8,417,618
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.

Cost of capital assets	3,854,955
Accumulated depreciation	(224,713)

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 governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets.

Compensated absences	(37,776)
Claims payable	(50,450)

Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as deferred revenue in the governmental funds.

	<u>325,000</u>
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Net assets of governmental activities	<u><u>\$ 12,284,634</u></u>
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CITY OF LAGUNA WOODS  
Governmental Fund types  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2004

	<u>Special Revenue Funds</u>			<u>Other</u>	
	<u>General</u>	<u>Gas Tax</u>	<u>Arterial Hwy Rehabilitation</u>	<u>Governmental Funds</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 539,417	787,247	-	-	1,326,664
Intergovernmental	3,176,979	-	-	369,441	3,546,420
Franchise fees	239,144	-	-	-	239,144
Licenses and permits	261,092	-	-	-	261,092
Charges for services	18,915	-	-	-	18,915
Fines and forfeitures	38,855	-	-	-	38,855
Investment income	74,186	27,857	-	16,258	118,301
Miscellaneous	235,686	-	-	-	235,686
Total revenues	<u>4,584,274</u>	<u>815,104</u>	<u>-</u>	<u>385,699</u>	<u>5,785,077</u>
Expenditures:					
Current:					
General government	1,354,709	-	-	-	1,354,709
Public safety	731,978	-	-	62,509	794,487
Public works	344,422	1,316,859	325,000	545,569	2,531,850
Community development	329,722	-	-	47,115	376,837
Community services	178,188	-	-	156,905	335,093
Capital outlay	17,432	-	-	-	17,432
Total expenditures	<u>2,956,451</u>	<u>1,316,859</u>	<u>325,000</u>	<u>812,098</u>	<u>5,410,408</u>
Excess (deficiency) of revenues over (under) expenditures	1,627,823	(501,755)	(325,000)	(426,399)	374,669
Other financing sources (uses):					
Transfers in (note 4)	-	114,634	-	-	114,634
Transfers out (note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,634)</u>	<u>(114,634)</u>
Total other financing sources and (uses)	<u>-</u>	<u>114,634</u>	<u>-</u>	<u>(114,634)</u>	<u>-</u>
Net change in fund balances	1,627,823	(387,121)	(325,000)	(541,033)	374,669
Fund balances, beginning of year, as restated (notes 13 and 14)	<u>5,206,059</u>	<u>1,870,648</u>	<u>-</u>	<u>966,242</u>	<u>8,042,949</u>
Fund balances (deficit), end of year	<u>\$ 6,833,882</u>	<u>1,483,527</u>	<u>(325,000)</u>	<u>425,209</u>	<u>8,417,618</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA WOODS  
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds	\$374,669
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Amounts reported for governmental activities in  
the Statement of Activities are different because:

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

Capital outlay	27,022
Depreciation expense	(95,875)

Changes in compensated absences payable is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net assets.	(4,631)
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Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as deferred revenue in the governmental funds.	325,000
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Changes in claims payable is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net assets.	<u>(25,450)</u>
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Changes in net assets of governmental activities	<u><u>\$600,735</u></u>
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See accompanying notes to basic financial statements.

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
Year Ended June 30, 2004

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

(b) (1) Basis of Accounting, Measurement Focus and Financial Statement Presentation

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

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These statements include a single column for the governmental activities of the primary government and its blended component unit. The City of Laguna Woods has no business-type activities, and no discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

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

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

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

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

Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

##### 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.

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

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

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days. Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, 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 where cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. Revenues, expenditures, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within their availability period of 60 days after the fiscal year ends to meet the "available" criteria of revenue recognition.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources."

# CITY OF LAGUNA WOODS

## Notes to Basic Financial Statements

(Continued)

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

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

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets.

Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

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

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

#### (c) Fund Classifications

The City reports the following major governmental funds:

##### General Fund

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

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

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

(c) Fund Classifications, (Continued)

Gas Tax Fund

The 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 2105, 2106, 2107 and 2107.5 which are legally restricted for the acquisition, construction, improvement and maintenance of public streets.

Arterial Highway Rehabilitation Fund

The Arterial Highway Rehabilitation fund is used to account for receipts and expenditures from the State of California Department of Transportation for street rehabilitation projects.

(d) Cash and Investments

Investments are reported in the accompanying statement of net assets at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings and changes in fair value. The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

(e) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

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

(e) Capital Assets, (Continued)

Capital assets exclude public domain (infrastructure) general capital assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains. The City excluded infrastructure capital assets for the year ended June 30, 2004. GASB Statement No. 34 gives phase 3 cities the option of reporting infrastructure assets in the Statement of Net Assets. Since the City of Laguna Woods qualified as a phase 3 city, as defined by GASB Statement No. 34, they chose not to include such assets.

The City uses the straight-line method in the government-wide financial statements for depreciating storm drains, 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 assets. The range of lives used for depreciation purposes for each capital asset class are as follows:

<u>Item</u>	<u>Useful Life</u>
Leasehold improvements	8-9 years
Equipment and furniture	5 years

(f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, gas taxes, Measure M revenue, reimbursement grant revenues and other revenues collected or provided by Federal, State, County and City governments and unremitted to the City as of June 30, 2004. The County of Orange assesses, bills, and collects property taxes for the City.

(g) Compensated Absences

Permanent, full-time City employees earn 10 vacation days a year and 12 sick days a year. The City accounts for compensated absences in accordance with GASB Statement No. 16. In governmental funds, compensated absences are recorded as expenditures in the year paid, and it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources.



CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

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

(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.

(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 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 conformity with generally accepted accounting principles 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)

(2) Cash and Investments

Cash and investments held by the City at June 30, 2004 consisted of the following:

Petty cash	\$ 606
Demand deposits	331,561
State Treasurer's Investment Pool (LAIF)	<u>8,073,999</u>
Total cash and investments held by City	<u>\$8,406,166</u>

The City is generally authorized under Section 53601 of the Government Code and the City's investment policy to invest in: FDIC insured accounts and the Local Agency Investment Fund of the State of California.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Deposits of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized Agent of the Depository and subject to certain regulatory requirements under State law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. Category 3 also includes any uncollateralized deposits.

Deposits held by the City as of June 30, 2004 are classified in risk categories as follows:

<u>Form of Deposit</u>	<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Deposits held by City:					
Demand deposits	<u>\$100,000</u>	<u>766,647</u>	<u>-</u>	<u>866,647</u>	<u>331,561</u>
Total deposits	<u>\$100,000</u>	<u>766,647</u>	<u>-</u>	<u>866,647</u>	<u>331,561</u>

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Investments of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or the City's custodial agent (which must be a different institution other than the party through which the City purchased the securities) in the City's name. Investments held "in the City's name" include securities held in a separate custodial or fiduciary account and identified as owned by the City in the custodian's internal accounting records. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer's agent (or by the trust department of the dealer if the dealer was a financial institution and another department of the institution purchased the securities for the City) in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer's agent, but not in the City's name. Category 3 also includes all securities held by the broker-dealer agent of the City (the party that purchased the securities for the City) regardless of whether or not the securities are being held in the City's name.

The City's only investment is the Local Agency Investment Fund which is not required to be categorized as described above. The City's investment in LAIF was \$8,073,999 at June 30, 2004.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

(3) Interfund Receivables and Payables

Current interfund receivables and payables balances at June 30, 2004 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Arterial Highway Rehabilitation Fund	\$325,000 (a)
General Fund	Nonmajor governmental funds	<u>137,625 (b)</u>
Total		<u>\$462,625</u>

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

(3) Interfund Receivables and Payables, (Continued)

- (a) As of June 30, 2004, the Arterial Highway Rehabilitation fund owed the General Fund \$325,000, which represented short-term borrowings to manage cash flows.
- (b) As of June 30, 2004, the nonmajor governmental funds owed the General Fund \$137,625, which represented short-term borrowings to manage cash flows.

(4) Interfund Transfers

Interfund transfers for the year ended June 30, 2004 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Gas Tax	Nonmajor Governmental Funds	<u>\$114,634 (a)</u>
(a) The Traffic Congestion Relief Fund transferred funds to the Gas Tax Fund to subsidize street related projects.		

(5) Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$3,050,000	-	-	3,050,000
Construction in progress	<u>-</u>	<u>25,738</u>	<u>-</u>	<u>25,738</u>
Total capital assets not being depreciated	<u>3,050,000</u>	<u>25,738</u>	<u>-</u>	<u>3,075,738</u>
Capital assets being depreciated:				
Furniture and equipment	85,048	1,284	-	86,332
Leasehold improvements	<u>692,888</u>	<u>-</u>	<u>-</u>	<u>692,888</u>
Total capital assets being depreciated	<u>777,936</u>	<u>1,284</u>	<u>-</u>	<u>779,220</u>
Total capital assets	<u>3,827,936</u>	<u>27,022</u>	<u>-</u>	<u>3,854,958</u>

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

(5) Capital Assets, (Continued)

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Less accumulated depreciation for:				
Furniture and equipment	(25,514)	(17,266)	-	(42,780)
Leasehold improvements	<u>(103,327)</u>	<u>(78,608)</u>	<u>-</u>	<u>(181,935)</u>
Total accumulated depreciation	<u>(128,841)</u>	<u>(95,874)</u>	<u>-</u>	<u>(224,715)</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$3,699,095</u>	<u>(68,852)</u>	<u>-</u>	<u>3,630,243</u>

Depreciation expense was charged to functions as follows:

General government	\$95,874
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There were no significant construction commitments at June 30, 2004.

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 were as follows:

	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2004</u>	<u>Due Within One Year</u>
Governmental Activities:					
Claims payable	\$25,000	50,450	(25,000)	50,450	50,450
Compensated absences	<u>33,145</u>	<u>31,534</u>	<u>(26,903)</u>	<u>37,776</u>	<u>26,903</u>
Total Governmental Activities Long-Term Liabilities	<u>\$58,145</u>	<u>81,984</u>	<u>(51,903)</u>	<u>88,226</u>	<u>77,353</u>

(7) Other Required Disclosures

The following Special Revenue Fund had excess of expenditures over appropriations as of June 30, 2004:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Senior Mobility Fund	\$80,000	97,731	(17,731)

# CITY OF LAGUNA WOODS

## Notes to Basic Financial Statements

(Continued)

### (7) Other Required Disclosures (continued)

The following funds had deficit fund balances as of June 30, 2004:

Arterial Highway Rehabilitation Special Revenue Fund	\$325,000
Measure M Special Revenue Fund	72,064
Park State Bonds Special Revenue Fund	19,939

### (8) Operating Leases

On May 17, 2001, the City entered into a lease agreement with California Federal Bank for the City Hall office site. The lease term ends on December 31, 2010 with payments commencing May 23, 2001. The base rent for the first year is \$10,789 monthly with annual consumer price index increases. Total lease payments for fiscal year ended June 30, 2004 were \$185,898. Future minimum lease payments are as follows:

<u>Year ended June 30</u>	<u>California Federal Bank</u>
2005	\$128,142
2006	128,142
2007	128,142
2008	128,142
2009	128,142
Thereafter	<u>192,213</u>
Totals	<u>\$832,923</u>

### (9) Insurance Policies

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 106 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 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 coverages. The Authority's pool began covering claims of its members in 1978. Each member government has a representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

#### General Liability

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the city; costs from \$30,001 to \$750,000 are pooled based on a member's share of costs under \$30,000; costs from \$750,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for the City is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

(9) Insurance Policies, (Continued)

Workers Compensation

The City also participated in the workers compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The City is charged for the first \$50,000 of each claim. Costs are pooled above that level to \$50,000. Costs from \$50,001 to \$100,000 per claim are pooled based on the City's losses under its retention level. Costs between \$100,001 and \$2,000,000 per claim are pooled based on payroll. Costs between \$2,000,000 and \$10,000,000 are paid by excess insurance purchased by the Authority. Costs in excess of \$10,000,000 are pooled by the members based on payroll.

Since incorporation on March 24, 1999, the City's liability for claims payable, if any, did not significantly exceed its deposit with CJPIA. In addition, since incorporation, claim payments have not exceeded the amount of applicable insurance coverage for the past three years. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. Claims payable at June 30, 2004 was \$50,450.

(10) Joint Venture

Orange County Fire Authority

In 1999, the City of Laguna Woods entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, Westminster and Yorba Linda and the County of Orange to create the Orange County Fire Authority (Authority). The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. 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, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract Cities" and accordingly make cash contributions based on the Authority's annual budget. The City 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, 180 S. Water Street, Orange, California, 92866.

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

#### (11) Commitment

The City has a commitment with the County of Orange to make minimum payments each year to mitigate the effect of excess expenditures incurred by the County over revenues for future fiscal years as a result of the incorporation of the City of Laguna Woods. These payments equal \$405,045 per year through 2006.

#### (12) Defined Benefit Pension Plan

##### Plan Description

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

##### Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City made all of the contribution required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate calculated as a percentage of payroll. The current employer contributions rate for the year ended June 30, 2004 was 12.492%. The contribution requirements of plan members and the City are established and may be amended by PERS.

##### Annual Pension Cost

For the year ended June 30, 2004, the City's annual pension cost of \$95,961 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and the current service unfunded liability into a single initial unfunded liability. The single funding horizon for this initial unfunded liability was not available due to the City's recent incorporation.



CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements  
(Continued)

(12) Defined Benefit Pension Plan, (Continued)

*Trend Information*

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$60,584	100%	-0-
6/30/03	88,834	100%	-0-
6/30/04	95,961	100%	-0-

The three year unfunded liability information was not available due to the City's recent incorporation.

(13) Change in Accounting Principle

During the year ended June 30, 2004, the City implemented GASB Statement No. 34, which changed the financial reporting model of local governmental units. As a result of GASB Statement No. 34, fund financial statements are required to be presented with a focus on the *major funds* of that local government. Previously, financial reporting for local governments had focused on reporting by *fund type*. The modified accrual basis of accounting and the current financial resources measurement focus is used in the fund financial statements for the governmental funds of the City.

GASB Statement No. 34 also requires the presentation of *government-wide financial statements*. Previously, government-wide financial statements were not required. Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. The *economic resources measurement focus* requires that all (both current and long-term) assets and liabilities of the City be reported in the government-wide financial statements. Additional information about the effect of these changes on the financial reporting of the City can be found in note 1 to the basic financial statements.

(14) Prior Period Adjustment

Fund balance has been restated in the Gas Tax Special Revenue Fund to reflect a certain adjustment to revenue recorded in the previous year.

Fund balance, as previously reported at July 1, 2003	\$1,901,986
Revenues recorded as earned in the prior year but not available to pay for current period liabilities and should have been deferred	<u>(31,338)</u>
Fund balance, as restated at July 1, 2003	<u>\$1,870,648</u>

## REQUIRED SUPPLEMENTARY INFORMATION

## **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, which are financed primarily through tax-generated revenues and not required to be accounted for in another fund.

## **SPECIAL REVENUE FUND**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following fund has been classified as a major fund. The budget-actual comparison for this fund has been presented in the accompanying financial statements as Required Supplementary Information:

### Gas Tax

The 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 2105, 2106, 2107 and 2107.5 which are legally restricted for the acquisition, construction, improvement and maintenance of public streets.

### Arterial Highway Rehabilitation

The Arterial Highway Rehabilitation fund is used to account for receipts and expenditures from the State of California Department of Transportation for street rehabilitation projects.

## CITY OF LAGUNA WOODS

### Notes to the Required Supplementary Information

Year Ended June 30, 2004

#### (1) Budgetary Policy

The City Manager shall prepare and submit the proposed annual budget to the City Council for its approval for all governmental funds. City Council reviews the proposed budget during two separate public workshops and two separate regular City Council meetings. The budget is legally enacted by means of a budget resolution passed by the City Council. 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 affect total appropriations within each fund.

Appropriations lapse at the end of the fiscal year unless they are re-appropriated through the formal budget process. Open encumbrances are recorded as reservations of fund balance since the commitments will be paid by subsequent year's budget appropriations. Encumbrances do not constitute expenditures or liabilities of the City.

Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year. During the year, there were budget modifications and supplemental appropriations amounting to \$64,114, through amendments approved by the City Council.

#### (2) Other Required Disclosures

The following major special revenue fund had a deficit fund balance as of June 30, 2004:

Arterial Highway Rehabilitation Special Revenue Fund	\$325,000
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CITY OF LAGUNA WOODS  
General Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 549,056	549,056	539,417	(9,639)
Intergovernmental revenues	3,784,595	3,036,046	3,176,979	140,933
Franchise fees	163,300	220,300	239,144	18,844
Licenses and permits	175,000	175,000	261,092	86,092
Charges for services	15,500	15,500	18,915	3,415
Fines and forfeitures	17,500	17,500	38,855	21,355
Investment income	90,000	58,000	74,186	16,186
Miscellaneous	5,676	5,676	235,686	230,010
Total revenues	<u>4,800,627</u>	<u>4,077,078</u>	<u>4,584,274</u>	<u>507,196</u>
Expenditures:				
Current:				
General government	2,674,512	2,722,247	1,354,709	1,367,538
Public safety	845,500	847,684	731,978	115,706
Public works	596,769	486,719	344,422	142,297
Community development	616,906	560,606	329,722	230,884
Community services	424,808	268,883	178,188	90,695
Capital outlay	27,600	27,600	17,432	10,168
Total expenditures	<u>5,186,095</u>	<u>4,913,739</u>	<u>2,956,451</u>	<u>1,957,288</u>
Excess (deficiency) of revenues over expenditures	<u>(385,468)</u>	<u>(836,661)</u>	<u>1,627,823</u>	<u>2,464,484</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(385,468)	(836,661)	1,627,823	2,464,484
Fund balance, beginning	<u>5,206,059</u>	<u>5,206,059</u>	<u>5,206,059</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,820,591</u>	<u>4,369,398</u>	<u>6,833,882</u>	<u>2,464,484</u>

CITY OF LAGUNA WOODS  
Gas Tax  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	Budgeted Amounts			Variances with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Taxes	\$ 887,883	887,883	787,247	(100,636)
Investment income	<u>44,604</u>	<u>44,604</u>	<u>27,857</u>	<u>(16,747)</u>
Total revenues	<u>932,487</u>	<u>932,487</u>	<u>815,104</u>	<u>(117,383)</u>
Expenditures:				
Current:				
Public works	<u>2,930,016</u>	<u>3,100,714</u>	<u>1,316,859</u>	<u>1,783,855</u>
Total expenditures	<u>2,930,016</u>	<u>3,100,714</u>	<u>1,316,859</u>	<u>1,783,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,997,529)</u>	<u>(2,168,227)</u>	<u>(501,755)</u>	<u>1,666,472</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>114,634</u>	<u>114,634</u>
Net change in fund balance	<u>(1,997,529)</u>	<u>(2,168,227)</u>	<u>(387,121)</u>	<u>1,809,326</u>
Fund balance, beginning, as restated	<u>1,901,986</u>	<u>1,901,986</u>	<u>1,870,648</u>	<u>(31,338)</u>
Fund balance, ending	<u>\$ (95,543)</u>	<u>(266,241)</u>	<u>1,483,527</u>	<u>1,777,988</u>

CITY OF LAGUNA WOODS  
Arterial Highway Rehabilitation  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	<u>\$ 400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Expenditures:				
Current:				
Public works	<u>400,000</u>	<u>400,000</u>	<u>325,000</u>	<u>75,000</u>
Total expenditures	<u>400,000</u>	<u>400,000</u>	<u>325,000</u>	<u>75,000</u>
Net change in fund balance	-	-	(325,000)	(325,000)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>(325,000)</u></u>	<u><u>(325,000)</u></u>

## SUPPLEMENTARY SCHEDULES



## NON-MAJOR SPECIAL REVENUE FUNDS

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

Traffic Congestion Relief Fund – accounts for the receipts from the State of California that augment the annual citywide pavement program.

Measure M Fund – to account for the operations of the street and maintenance projects of the public works department. Financing is provided by the City's share of County Measure M funds.

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

California Law Enforcement Equipment Program Fund – accounts for receipts and expenditures for the purchase of safety equipment.

Supplemental Law Enforcement Services Fund – accounts for the receipts and expenditures from the State of California's Citizens Option for Public Safety (COPS) program.

Grants Fund – to account for revenues received under Federal, State and local grants.

Exercise Challenge Fund – accounts for receipts from donors and expenditures on a special event that encourages safe and healthy exercise by residents, workers and students in Laguna Woods.

Emergency Management Fund – accounts for receipts from the state and expenditures for the purchase of emergency operations equipment to be used in the event of an earthquake, terrorist attack or other emergency.

State Park Bonds Fund – accounts for receipts from the state and expenditures for the purchase and improvement of parks and open space.

Senior Mobility Fund – accounts for receipts from the Orange County Transportation Authority and expenditures for demand-responsive transportation services for seniors aged 60 and older.

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

CITY OF LAGUNA WOODS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2004

	Traffic Congestion <u>Relief</u>	Measure M	Air Quality Improvement	CA Law Enforcement <u>Equipment</u>	Supplemental Law <u>Enforcement</u>
<u>Assets:</u>					
Cash and investments	\$ 39,090	22,262	119,515	82,030	159,368
Receivables:					
Accounts receivable	514	73	11,484	278	516
Due from other governments	<u>-</u>	<u>-</u>	<u>10,534</u>	<u>-</u>	<u>1,062</u>
Total assets	<u>\$ 39,604</u>	<u>22,335</u>	<u>141,533</u>	<u>82,308</u>	<u>160,946</u>
<u>Liabilities and Fund Balances:</u>					
Liabilities:					
Accounts payable	\$ -	9,417	-	-	5,012
Due to other funds	<u>39,604</u>	<u>84,982</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>39,604</u>	<u>94,399</u>	<u>-</u>	<u>-</u>	<u>5,012</u>
Fund balances (deficits):					
Undesignated, reported in:					
Special revenue funds	<u>-</u>	<u>(72,064)</u>	<u>141,533</u>	<u>82,308</u>	<u>155,934</u>
Total fund balances (deficits)	<u>-</u>	<u>(72,064)</u>	<u>141,533</u>	<u>82,308</u>	<u>155,934</u>
Total liabilities and fund balances	<u>\$ 39,604</u>	<u>22,335</u>	<u>141,533</u>	<u>82,308</u>	<u>160,946</u>

<u>Grants</u>	<u>Exercise Challenge</u>	<u>Emergency Management</u>	<u>Park State Bonds</u>	<u>Senior Mobility</u>	<u>Community Development Block Grant</u>	<u>Totals</u>
55,755	2,606	1,348	-	101,238	-	583,212
-	-	-	-	349	-	13,214
<u>10,113</u>	<u>-</u>	<u>-</u>	<u>36,394</u>	<u>-</u>	<u>8,454</u>	<u>66,557</u>
<u>65,868</u>	<u>2,606</u>	<u>1,348</u>	<u>36,394</u>	<u>101,587</u>	<u>8,454</u>	<u>662,983</u>
13,588	-	-	48,383	20,544	3,205	100,149
<u>4,826</u>	<u>-</u>	<u>-</u>	<u>7,950</u>	<u>-</u>	<u>263</u>	<u>137,625</u>
<u>18,414</u>	<u>-</u>	<u>-</u>	<u>56,333</u>	<u>20,544</u>	<u>3,468</u>	<u>237,774</u>
<u>47,454</u>	<u>2,606</u>	<u>1,348</u>	<u>(19,939)</u>	<u>81,043</u>	<u>4,986</u>	<u>425,209</u>
<u>47,454</u>	<u>2,606</u>	<u>1,348</u>	<u>(19,939)</u>	<u>81,043</u>	<u>4,986</u>	<u>425,209</u>
<u>65,868</u>	<u>2,606</u>	<u>1,348</u>	<u>36,394</u>	<u>101,587</u>	<u>8,454</u>	<u>662,983</u>

CITY OF LAGUNA WOODS  
Non-major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2004

	Traffic Congestion <u>Relief</u>	<u>Measure M</u>	Air Quality Improvement	CA Law Enforcement <u>Equipment</u>	Supplemental Law Enforcement
Revenues:					
Intergovernmental	\$ -	31,958	40,396	-	100,000
Investment income	<u>3,118</u>	<u>5,081</u>	<u>2,041</u>	<u>1,560</u>	<u>2,097</u>
Total revenues	<u>3,118</u>	<u>37,039</u>	<u>42,437</u>	<u>1,560</u>	<u>102,097</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	62,509
Public works	-	540,259	-	-	-
Community development	-	-	-	-	-
Community service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>540,259</u>	<u>-</u>	<u>-</u>	<u>62,509</u>
Excess (deficiency) of revenues over (under) expenditures	3,118	(503,220)	42,437	1,560	39,588
Other financing sources (uses):					
Transfers out	<u>(114,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>(114,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(111,516)	(503,220)	42,437	1,560	39,588
Fund balances, beginning of year	<u>111,516</u>	<u>431,156</u>	<u>99,096</u>	<u>80,748</u>	<u>116,346</u>
Fund balances (deficit), end of year	<u>\$ -</u>	<u>(72,064)</u>	<u>141,533</u>	<u>82,308</u>	<u>155,934</u>

<u>Grants</u>	<u>Exercise Challenge</u>	<u>Emergency Management</u>	<u>Park State Bonds</u>	<u>Senior Mobility</u>	<u>Community Development Block Grant</u>	<u>Totals</u>
21,304	-	-	36,394	87,288	52,101	369,441
<u>612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,749</u>	<u>-</u>	<u>16,258</u>
<u>21,916</u>	<u>-</u>	<u>-</u>	<u>36,394</u>	<u>89,037</u>	<u>52,101</u>	<u>385,699</u>
-	-	-	-	-	-	62,509
5,310	-	-	-	-	-	545,569
-	-	-	-	-	47,115	47,115
<u>11,936</u>	<u>-</u>	<u>-</u>	<u>56,742</u>	<u>88,227</u>	<u>-</u>	<u>156,905</u>
<u>17,246</u>	<u>-</u>	<u>-</u>	<u>56,742</u>	<u>88,227</u>	<u>47,115</u>	<u>812,098</u>
4,670	-	-	(20,348)	810	4,986	(426,399)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,634)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,634)</u>
4,670	-	-	(20,348)	810	4,986	(541,033)
<u>42,784</u>	<u>2,606</u>	<u>1,348</u>	<u>409</u>	<u>80,233</u>	<u>-</u>	<u>966,242</u>
<u>47,454</u>	<u>2,606</u>	<u>1,348</u>	<u>(19,939)</u>	<u>81,043</u>	<u>4,986</u>	<u>373,950</u>

CITY OF LAGUNA WOODS  
Traffic Congestion Relief  
Non-major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	3,118	3,118
Total revenues	-	3,118	3,118
Expenditures:			
Public works	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	3,118	3,118
Other financing sources (uses):			
Transfers out	-	(114,634)	(114,634)
Net change in fund balance	-	(111,516)	(111,516)
Fund balance, beginning	111,516	111,516	-
Fund balance, ending	<u>\$ 111,516</u>	<u>-</u>	<u>(111,516)</u>

CITY OF LAGUNA WOODS  
Measure M  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 626,357	31,958	(594,399)
Interest income	<u>7,396</u>	<u>5,081</u>	<u>(2,315)</u>
Total revenues	<u>633,753</u>	<u>37,039</u>	<u>(596,714)</u>
Expenditures:			
Public works	<u>980,693</u>	<u>540,259</u>	<u>440,434</u>
Total expenditures	<u>980,693</u>	<u>540,259</u>	<u>440,434</u>
Net change in fund balance	(346,940)	(503,220)	(156,280)
Fund balance, beginning	<u>431,156</u>	<u>431,156</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 84,216</u>	<u>(72,064)</u>	<u>(156,280)</u>

CITY OF LAGUNA WOODS  
 Air Quality Improvement  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended June 30, 2004

			Variances with Final Budget Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ -	40,396	40,396
Investment income	<u>-</u>	<u>2,041</u>	<u>2,041</u>
 Total revenues	 <u>-</u>	 <u>42,437</u>	 <u>42,437</u>
 Net change in fund balance	 -	 42,437	 42,437
 Fund balance, beginning	 <u>99,096</u>	 <u>99,096</u>	 <u>-</u>
 Fund balance, ending	 <u><u>\$ 99,096</u></u>	 <u><u>141,533</u></u>	 <u><u>42,437</u></u>



CITY OF LAGUNA WOODS  
California Law Enforcement Equipment Program  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variances with Final Budget <u>Positive (Negative)</u>
Revenues:			
Investment income	\$     -	1,560	1,560
Total revenues	<u>          -</u>	<u>1,560</u>	<u>1,560</u>
Expenditures:			
Community Services	35,162	-	35,162
Total expenditures	<u>35,162</u>	<u>          -</u>	<u>35,162</u>
Net change in fund balance	(35,162)	1,560	36,722
Fund balance, beginning	<u>80,748</u>	<u>80,748</u>	<u>          -</u>
Fund balance, ending	<u><u>\$ 45,586</u></u>	<u><u>82,308</u></u>	<u><u>36,722</u></u>

CITY OF LAGUNA WOODS  
Supplemental Law Enforcement  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 100,000	100,000	-
Investment income	<u>-</u>	<u>2,097</u>	<u>2,097</u>
 Total revenues	 <u>100,000</u>	 <u>102,097</u>	 <u>2,097</u>
 Expenditures:			
Public Safety	<u>100,000</u>	<u>62,509</u>	<u>37,491</u>
 Total expenditures	 <u>100,000</u>	 <u>62,509</u>	 <u>37,491</u>
 Net change in fund balance	 -	 39,588	 39,588
 Fund balance, beginning	 <u>116,346</u>	 <u>116,346</u>	 <u>-</u>
 Fund balance, ending	 <u><u>\$ 116,346</u></u>	 <u><u>155,934</u></u>	 <u><u>39,588</u></u>

CITY OF LAGUNA WOODS  
Grants  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 136,856	21,304	(115,552)
Investment income	<u>-</u>	<u>612</u>	<u>612</u>
Total revenues	<u>136,856</u>	<u>21,916</u>	<u>(114,940)</u>
Expenditures:			
Public works	7,500	5,310	2,190
Community service	<u>130,000</u>	<u>11,936</u>	<u>118,064</u>
Total expenditures	<u>137,500</u>	<u>17,246</u>	<u>71,871</u>
Net change in fund balance	(644)	4,670	43,069
Fund balance, beginning	<u>42,784</u>	<u>42,784</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 42,140</u>	<u>47,454</u>	<u>43,069</u>

CITY OF LAGUNA WOODS  
Exercise Challenge  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	<u>\$ -</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Community service	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	<u>2,606</u>	<u>2,606</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 2,606</u></u>	<u><u>2,606</u></u>	<u><u>-</u></u>

CITY OF LAGUNA WOODS  
Emergency Management  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	<u>\$ 5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenues	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Expenditures:			
Community services	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balance	-	-	-
Fund balance, beginning	<u>1,348</u>	<u>1,348</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,348</u></u>	<u><u>1,348</u></u>	<u><u>-</u></u>

CITY OF LAGUNA WOODS  
 Park State Bonds  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended June 30, 2004

	Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	36,394	36,394
Investment income	-	-	-
Total revenues	-	36,394	36,394
Expenditures:			
Community services	25,000	56,742	(31,742)
Total expenditures	25,000	56,742	(31,742)
Net change in fund balance	(25,000)	(20,348)	4,652
Fund balance, beginning	409	409	-
Fund balance, ending	<u>\$ (24,591)</u>	<u>(19,939)</u>	<u>4,652</u>

CITY OF LAGUNA WOODS  
 Senior Mobility  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended June 30, 2004

	Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 80,000	87,288	7,288
Investment income	<u>-</u>	<u>1,749</u>	<u>1,749</u>
Total revenues	<u>80,000</u>	<u>89,037</u>	<u>9,037</u>
Expenditures:			
Community service	<u>80,000</u>	<u>88,227</u>	<u>(8,227)</u>
Total expenditures	<u>80,000</u>	<u>88,227</u>	<u>(8,227)</u>
Net change in fund balance	-	810	810
Fund balance, beginning	<u>80,233</u>	<u>80,233</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 80,233</u></u>	<u><u>81,043</u></u>	<u><u>810</u></u>

CITY OF LAGUNA WOODS  
Community Development Block Grant  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 50,000	52,101	2,101
Investment income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>50,000</u>	<u>52,101</u>	<u>2,101</u>
Expenditures:			
Community development	<u>50,000</u>	<u>47,115</u>	<u>2,885</u>
Total expenditures	<u>50,000</u>	<u>47,115</u>	<u>2,885</u>
Net change in fund balance	-	4,986	4,986
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>4,986</u>	<u>4,986</u>