

CITY OF LAGUNA WOODS  
Laguna Woods, California

Basic Financial Statements  
and Supplementary Data

June 30, 2012



CITY OF LAGUNA WOODS  
Basic Financial Statements and Supplementary Data  
June 30, 2012

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CITY OF LAGUNA WOODS

Basic Financial Statements and Supplementary Data

June 30, 2012

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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, 2012, 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 the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Governmental Auditing Standards*, we have also issued a report dated February 27, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**David L. Gruber and Associates, Inc.**

*David L. Gruber and Associates, Inc.*

Huntington Beach, California  
February 27, 2013

## 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 year-ended June 30, 2012. This document should be read in conjunction with the accompanying transmittal letter and basic financial statements. Please note that this is the sixth year the City of Laguna Woods has used this reporting format. The City remains in full compliance with GASB 34 requirements and GAAP standards for reporting financial information.

#### **FINANCIAL HIGHLIGHTS**

- The City ended Fiscal Year 2011-2012 with total net assets of \$28,353,381, including capital assets.
- During the year, the City's taxes and other revenues exceeded expenses by \$769,654.
- The total revenue from all sources equaled \$6,611,341.
- The total expenses from all sources equaled \$5,841,687.
- The General Fund reported an ending fund balance of \$7,836,681 and excess revenues and other sources over expenditures of \$700,260.
- The Gas Tax Special Revenue Fund reported an ending fund balance of \$369,774 and excess revenues over expenditures of \$144,613.
- The Measure M Special Revenue Fund reported an ending fund balance deficit of (\$709,715) and expenditures over revenues of (\$373,716).
- The CDBG Special Revenue Fund reported an ending fund balance deficit of (\$88,752) and excess of expenditures over revenues of (\$45,434).
- The Traffic Mitigation Fees Special Revenue Fund reported an ending fund balance of \$68,269 and revenues over expenditures of \$46,347.

#### **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 2011-2012.

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, Vehicle Code fines, Motor vehicle in-lieu, Gas Tax, and Measure M funds finance approximately 67% 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, Measure M, Proposition 1B, and Traffic Mitigation Fees Special Revenue Funds, which were all 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 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 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**  
Governmental Activities

|  | <u>2012</u>                | <u>2011</u>              |
|--|----------------------------|--------------------------|
| Cash and investments   | \$8,007,699                | 9,194,810                |
| Capital assets, net  | 20,473,643                 | 20,428,076               |
| Other Receivables and Assets                                   | <u>665,924</u>             | <u>893,259</u>           |
| <b>Total Assets</b>  | <b><u>29,147,266</u></b>   | <b><u>30,516,145</u></b> |
| Accounts payable and other accrued expenses                    | 642,361                    | 2,786,198                |
| Long-term liabilities  | <u>151,524</u>             | <u>146,220</u>           |
| <b>Total Liabilities</b>                                       | <b><u>793,885</u></b>      | <b><u>2,932,418</u></b>  |
| Invested in capital assets, net of<br>accumulated depreciation | 20,473,643                 | 20,428,076               |
| Restricted   | 171,390                    | 165,250                  |
| Unrestricted   | <u>7,708,348</u>           | <u>6,990,401</u>         |
| <b>Total net Assets</b>  | <b><u>\$28,353,381</u></b> | <b><u>27,583,727</u></b> |

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

|   | <u>2012</u>              | <u>2011</u>             |
|---|--------------------------|-------------------------|
| <b>Revenues</b>                           |                          |                         |
| Program revenues:                         |                          |                         |
| Charges for services                      | \$ 914,884               | 896,656                 |
| Operating contributions and grants        | 1,852,654                | 2,143,059               |
| Capital contributions and grants          | <u>100,032</u>           | <u>100,099</u>          |
| <b>Total program revenues</b>             | <b>2,867,570</b>         | <b>3,317,308</b>        |
| General revenues:                         |                          |                         |
| Taxes:                                    |                          |                         |
| Property taxes                            | 229,802                  | 241,632                 |
| Sales taxes                               | 855,533                  | 840,953                 |
| Motor vehicle in lieu tax                 | 1,627,101                | 1,732,818               |
| Franchise taxes                           | 607,785                  | 389,820                 |
| Transient occupancy taxes                 | 396,797                  | 350,660                 |
| Investment income                         | 26,753                   | 46,628                  |
| Other                                     | <u>-</u>                 | <u>37,389</u>           |
| <b>Total general revenues</b>             | <b><u>3,743,771</u></b>  | <b><u>3,639,900</u></b> |
| <b>Total revenues</b>                     | <b><u>6,611,341</u></b>  | <b><u>6,957,208</u></b> |
| <b>Expenses</b>                           |                          |                         |
| Governmental activities:                  |                          |                         |
| General government                        | 1,427,072                | 2,152,892               |
| Public safety                             | 1,617,293                | 1,715,908               |
| Public works                              | 1,474,254                | 1,573,552               |
| Community development                     | 801,271                  | 838,745                 |
| Community services                        | <u>521,797</u>           | <u>409,631</u>          |
| <b>Total expenses</b>                     | <b><u>5,841,687</u></b>  | <b><u>6,690,728</u></b> |
| <b>Increase/ (Decrease) in net assets</b> | <b><u>\$ 769,654</u></b> | <b><u>88,986</u></b>    |

- Current and other assets were \$29,147,266 as of year-end and decreased by \$1,368,879 (4%) over the prior year.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations within Fund-specific guidelines are \$7,708,348, an increase of 10% over the prior year.
- The City's total program and general revenues were \$2,867,570 and \$3,743,771 respectively, totaling \$6,611,341, while the total cost of all programs and services was \$5,841,687.
- State Motor Vehicle-in-Lieu fees of \$1,627,101 are the City's largest revenue source at 25%. These revenues fund a significant portion of the City's basic services.

- Sales taxes of \$855,533 are the City's second largest revenue source at 13%. These revenues fund a significant portion of the City's basic services.
- Franchise fees of \$607,785 are the City's third largest revenue source at 9%. These revenues fund the majority of the City's street projects.

### Governmental 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**

|                       | <u>2012</u>                             |                                       | <u>2011</u>                             |                                       |
|-----------------------|---|---------------------------------------|---|---------------------------------------|
|                       | <u>Total Cost</u><br><u>of Services</u> | <u>Net Cost</u><br><u>of Services</u> | <u>Total Cost</u><br><u>of Services</u> | <u>Net Cost</u><br><u>of Services</u> |
| General Government    | \$2,494,082                             | (2,236,742)                           | 2,152,892                               | (1,965,308)                           |
| Public Safety         | 1,617,293                               | (1,312,669)                           | 1,715,908                               | (1,238,159)                           |
| Public Works          | 407,244                                 | 918,641                               | 1,573,552                               | 369,558                               |
| Community Development | 801,271                                 | (197,160)                             | 838,745                                 | (377,431)                             |
| Community Services    | <u>521,797</u>                          | <u>(146,187)</u>                      | <u>409,631</u>                          | <u>(339,574)</u>                      |
| <b>Total</b>          | <b><u>\$5,841,687</u></b>               | <b><u>(2,974,117)</u></b>             | <b><u>6,690,728</u></b>                 | <b><u>(3,550,914)</u></b>             |

- General Government expenses of \$2,494,082 comprise 43% of governmental expenditures, compared to 32% in the prior year, and include City Council, City Manager, City Clerk, City Attorney, Administrative Services, Support Services and Risk Management. Charges for services reduce the cost of these programs.
- Public Safety expenses of \$1,617,293 comprise 28% of governmental expenses compared to 26% in the prior year. Revenue from fines and Federal and State operating grants reduce the cost of this program.
- Public Works expenses of \$1,474,254 including capital projects comprise 25% of governmental expenses compared to 24% in the prior year. Operating contributions and grants help to reduce the cost of these expenses. Fiscal year 2012 reflected continued expenditures related to the improvements to Moulton Parkway as part of the Smart Street Program, coordinated with the County of Orange to reduce traffic congestion by separating bus loading and vehicle turning movements from through lanes. Construction for the first phase of the project progressed in Fiscal Year 2012 with remaining hardscape improvements and new landscaping and irrigation. Fiscal Year 2012 also saw completion of the reconstruction and repaving of Santa Maria Avenue, including construction of medians at the west end of the street and a multimodal trail for golf carts and scooters, from Via Vista to the Moulton Plaza commercial center.

- Community Development expenses of \$801,271 comprise 14% of governmental expenses, compared to 13% in the prior year. Various building and planning fee revenues reduce the cost of this program.
- Community Services expenses of \$521,797 comprise 9% of governmental expenditures, compared to 5% in the prior year. 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 \$7,919,319, an increase of 617,648 or 8% over the prior year fund balance. The General Fund comprises \$7,836,681, of the total fund balance. The City's General Fund Balance equates to about 200% of one full year of its expenditures. Future fund balance levels are as yet undetermined.

### General Fund Budgetary Highlights:

**Revenues:** Actual revenues were \$210,754 or 5% higher than budgeted primarily because licenses and permits, charges for services, and grant reimbursements were higher than projected.

**Expenditures:** Actual expenditures were \$685,545 or 18% lower than budgeted, primarily due to the completion of payments for the accrued litigation settlement for the purchase of the City Hall site, State of California reinstatement of the State Law Enforcement Services Act funds, and general expenditure reductions.

## CAPITAL ASSETS

Capital assets, net of accumulated depreciation for governmental activities totaled \$20,473,643 at year-end primarily consisting of the City's land, building, and infrastructure assets. During the fiscal year, the City had \$809,256 of depreciation expense on capital assets, which increased accumulated depreciation to \$4,490,893 as of fiscal year-end. The capital asset detail is as follows:

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

|                                 | <u>2012</u>                | <u>2011</u>              |
|---------------------------------|----------------------------|--------------------------|
| Land*                           | \$6,916,750                | 6,916,750                |
| Buildings                       | 2,563,250                  | 2,563,250                |
| Building improvements           | 736,647                    | 736,647                  |
| Equipment and furniture         | 185,971                    | 173,700                  |
| Infrastructure                  | 14,561,918                 | 13,719,367               |
| Less accumulated depreciation   | <u>(4,490,893)</u>         | <u>(3,681,638)</u>       |
| <b>Total net capital assets</b> | <b><u>\$20,473,643</u></b> | <b><u>20,428,076</u></b> |

## **Debt**

The City of Laguna Woods currently has no debt obligations. However, compensated absences are classified as long-term liabilities and totaled \$151,524, as of fiscal year-end.

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

The national economy is still rebounding after the recession of 2008-2009. Based on recent economic forecasts by California State University, Fullerton, and Chapman University, Orange County's economy is expected to continue improving at a slow growth rate. Home prices appear to have stabilized but lending requirements remain strict.

The City's primary revenue sources are all potentially affected by economic factors, legislative action or state law. State of California Department of Finance population numbers are used to calculate state apportionments for Motor Vehicle and Fuel Tax. Property Tax in lieu of Motor Vehicle-in-Lieu Fees continues to be a significant revenue source. Sales taxes are currently projected to increase as consumer confidence improves and consumers increase their spending on more discretionary items. Property Tax is projected to be down slightly due to lower assessed valuations. The City's Transient Occupancy Tax is reliant on business activity but is showing signs of improvement as business and personal travel increases and should continue to improve as the economy recovers. Interest Earnings remain low, as the Federal Reserve continues to maintain interest rates at near zero levels and recently declared it would continue its current practice of keeping rates low through at least 2014. Utility, Advertising, and Waste Hauling Franchise taxes, which are less affected by general economic activity, remains a relatively stable source of revenue. Cable Franchise Taxes revenues have increased due to reinstatement of the resident's portion of the 5% Cable TV franchise fees. Motor vehicle fines from implementation of red light photo enforcement at two intersections, Moulton Parkway at El Toro Road and Moulton Parkway at Gate 12, are expected to cover most program costs.

## **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, Finance Department, 24264 El Toro Road, Laguna Woods, California 92637 or call (949) 639-0500, or email [cityhall@lagunawoodscity.org](mailto:cityhall@lagunawoodscity.org).

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

# CITY OF LAGUNA WOODS

## Statement of Net Assets

June 30, 2012

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Assets:  |                                    |
| Cash and investments (note 2)  | \$ 8,007,699                       |
| Accounts receivable  | 190,645                            |
| Due from other governments   | 475,279                            |
| Capital assets (note 4):   |                                    |
| Capital assets not being depreciated                                 | 6,916,750                          |
| Capital assets being depreciated,<br>net of accumulated depreciation | <u>13,556,893</u>                  |
| Total assets   | <u>29,147,266</u>                  |
| Liabilities:   |                                    |
| Accounts payable   | 603,130                            |
| Accrued expenses   | 26,263                             |
| Retentions payable   | 12,968                             |
| Long-term liabilities (notes 5):                                     |                                    |
| Portion due within one year:   |                                    |
| Compensated absences   | 32,909                             |
| Portion due beyond one year:   |                                    |
| Compensated absences   | <u>118,615</u>                     |
| Total liabilities  | <u>793,885</u>                     |
| Net assets:  |                                    |
| Invested in capital assets   | 20,473,643                         |
| Restricted for:  |                                    |
| Community development  | -                                  |
| Public safety  | 27,987                             |
| Public works   | 129,555                            |
| Community services   | 13,848                             |
| Unrestricted   | <u>7,708,348</u>                   |
| Total net assets   | <u><u>\$ 28,353,381</u></u>        |

See accompanying notes to basic financial statements.

# CITY OF LAGUNA WOODS

## Statement of Activities

Year ended June 30, 2012

|                                 |                     | Program Revenues     |                                    |                                  |
|---------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                 | Expenses            | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
|                                 |                     |                      |                                    | Net Governmental Activities      |
| <u>Governmental activities:</u> |                     |                      |                                    |                                  |
| General government              | \$ 1,427,072        | 257,340              | -                                  | -                                |
| Community development           | 801,271             | 422,952              | 181,159                            | -                                |
| Public safety                   | 1,617,293           | 204,592              | -                                  | 100,032                          |
| Public works                    | 1,474,254           | -                    | 1,325,885                          | -                                |
| Community services              | 521,797             | 30,000               | 345,610                            | -                                |
|                                 |                     |                      |                                    | (146,187)                        |
| Total governmental activities   | <u>\$ 5,841,687</u> | <u>914,884</u>       | <u>1,852,654</u>                   | <u>100,032</u>                   |
|                                 |                     |                      |                                    | (2,974,117)                      |
| General revenues:               |                     |                      |                                    |                                  |
| Taxes:                          |                     |                      |                                    |                                  |
| Property taxes                  |                     |                      |                                    | 229,802                          |
| Sales taxes                     |                     |                      |                                    | 855,533                          |
| Transient occupancy taxes       |                     |                      |                                    | 396,797                          |
| Franchise taxes                 |                     |                      |                                    | 607,785                          |
| State motor vehicle in lieu     |                     |                      |                                    | 1,627,101                        |
| Investment income               |                     |                      |                                    | 26,753                           |
| Other                           |                     |                      |                                    |                                  |
| Total general revenues          |                     |                      |                                    | <u>3,743,771</u>                 |
| Change in net assets            |                     |                      |                                    | 769,654                          |
| Net assets at beginning of year |                     |                      |                                    | <u>27,583,727</u>                |
| Net assets at end of year       |                     |                      |                                    | <u>\$ 28,353,381</u>             |

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS  
Governmental Funds  
Balance Sheet  
June 30, 2012

|                                      | <u>Special Revenue</u> |                |                  |
|--------------------------------------|------------------------|----------------|------------------|
|                                      | <u>General</u>         | <u>Gas Tax</u> | <u>Measure M</u> |
| <b>Assets</b>                        |                        |                |                  |
| Cash and investments (note 2)        | \$ 6,860,288           | 400,172        | -                |
| Receivables:                         |                        |                |                  |
| Accounts                             | 187,145                | 387            | -                |
| Due from other funds (note 3)        | 1,044,044              | -              | -                |
| Due from other governments           | 88,659                 | 72             | 146,866          |
| Total assets                         | <u>\$ 8,180,136</u>    | <u>400,631</u> | <u>146,866</u>   |
| <b>Liabilities and Fund Balances</b> |                        |                |                  |
| Liabilities:                         |                        |                |                  |
| Accounts payable                     | \$ 317,192             | 30,857         | 31,537           |
| Retentions Payable                   | -                      | -              | 12,088           |
| Accrued Liabilities                  | 26,263                 | -              | -                |
| Deferred revenue                     | -                      | -              | -                |
| Due to other funds (note 3)          | -                      | -              | 812,956          |
| Total liabilities                    | <u>343,455</u>         | <u>30,857</u>  | <u>856,581</u>   |
| Fund balances (deficits):            |                        |                |                  |
| Non-spendable:                       |                        |                |                  |
| Prepaid expense                      | -                      | -              | -                |
| Restricted for:                      |                        |                |                  |
| Public works                         |                        | 369,774        | -                |
| Community development                |                        |                |                  |
| Public safety                        |                        | -              | -                |
| Assigned to:                         |                        |                |                  |
| Capital projects                     | 369,640                | -              | -                |
| Compensated absences                 | 151,525                | -              | -                |
| Self insurance contingencies         | 500,000                | -              | -                |
| Unassigned                           | 6,815,516              | -              | (709,715)        |
| Total fund balances                  | <u>7,836,681</u>       | <u>369,774</u> | <u>(709,715)</u> |
| Total liabilities and fund balances  | <u>\$ 8,180,136</u>    | <u>400,631</u> | <u>146,866</u>   |

See accompanying notes to basic financial statements.

| <u>Funds</u>    |                        | <u>Other</u>        |                  |
|-----------------|------------------------|---------------------|------------------|
| <u>CDBG</u>     | <u>Traffic</u>         | <u>Governmental</u> | <u>Totals</u>    |
|                 | <u>Mitigation Fees</u> | <u>Funds</u>        |                  |
| -               | 123,535                | 623,704             | 8,007,699        |
| -               | 3,113                  | -                   | 190,645          |
| -               | -                      | -                   | 1,044,044        |
| 134,168         | 6,294                  | 99,220              | 475,279          |
| <u>134,168</u>  | <u>132,942</u>         | <u>722,924</u>      | <u>9,717,667</u> |
| 43,854          | 64,673                 | 115,017             | 603,130          |
| -               | -                      | 880                 | 12,968           |
| -               | -                      | -                   | 26,263           |
| 44,898          | -                      | 67,045              | 111,943          |
| 134,168         | -                      | 96,920              | 1,044,044        |
| <u>222,920</u>  | <u>64,673</u>          | <u>279,862</u>      | <u>1,798,348</u> |
| -               | -                      | -                   | -                |
| -               | 68,269                 | 22,521              | 460,564          |
| -               | -                      | 13,848              | 13,848           |
| -               | -                      | 531,477             | 531,477          |
| -               | -                      | -                   | 369,640          |
| -               | -                      | -                   | 151,525          |
| -               | -                      | -                   | 500,000          |
| (88,752)        | -                      | (124,784)           | 5,892,265        |
| <u>(88,752)</u> | <u>68,269</u>          | <u>443,062</u>      | <u>7,919,319</u> |
| <u>134,168</u>  | <u>132,942</u>         | <u>722,924</u>      | <u>9,717,667</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, 2012

|                                     |              |
|-------------------------------------|--------------|
| Fund balances of governmental funds | \$ 7,919,319 |
|-------------------------------------|--------------|

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   | 24,964,536  |
| Accumulated depreciation | (4,490,893) |

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 | (151,524) |
|----------------------|-----------|

|  |                |
|--|----------------|
| Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds. | <u>111,943</u> |
|--|----------------|

|                                       |                             |
|---------------------------------------|-----------------------------|
| Net assets of governmental activities | <u><u>\$ 28,353,381</u></u> |
|---------------------------------------|-----------------------------|

See accompanying notes to basic financial statements.

CITY OF LAGUNA WOODS  
Governmental Fund types  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2012

|  |                     | <u>Special Revenue</u> |                  |
|--|---------------------|------------------------|------------------|
|  | <u>General</u>      | <u>Gas Tax</u>         | <u>Measure M</u> |
| Revenues:  |                     |                        |                  |
| Taxes  | \$ 1,482,141        | 503,127                | -                |
| Intergovernmental  | 1,627,101           | -                      | 237,373          |
| Franchise fees   | 607,787             | -                      | -                |
| Licenses and permits   | 417,231             | -                      | -                |
| Charges for services   | 206,240             | -                      | -                |
| Fines and forfeitures  | 210,089             | -                      | -                |
| Investment income  | 26,954              | 71                     | -                |
| Miscellaneous  | 81,112              | -                      | -                |
| Total revenues   | <u>4,658,655</u>    | <u>503,198</u>         | <u>237,373</u>   |
| Expenditures:  |                     |                        |                  |
| Current:   |                     |                        |                  |
| General government   | 1,352,679           | -                      | -                |
| Public safety  | 1,485,538           | -                      | -                |
| Public works   | 374,071             | 358,585                | 611,089          |
| Community development  | 483,801             | -                      | -                |
| Community services   | 211,490             | -                      | -                |
| Total expenditures   | <u>3,907,579</u>    | <u>358,585</u>         | <u>611,089</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 751,076             | 144,613                | (373,716)        |
| Other financing sources (uses):                              |                     |                        |                  |
| Transfers in (note 3)  | 10,461              | -                      | -                |
| Transfers out (note 3)                                       | (61,277)            | -                      | -                |
| Total other financing sources<br>and (uses)                  | <u>(50,816)</u>     | <u>-</u>               | <u>-</u>         |
| Net change in fund balances                                  | 700,260             | 144,613                | (373,716)        |
| Fund balances, beginning of year                             | <u>7,136,421</u>    | <u>225,161</u>         | <u>(335,999)</u> |
| Fund balances (deficit), end of year                         | <u>\$ 7,836,681</u> | <u>369,774</u>         | <u>(709,715)</u> |

See accompanying notes to basic financial statements.

| <u>Funds</u>    |                                | Other                     |                  |
|-----------------|--------------------------------|---------------------------|------------------|
| <u>CDBG</u>     | <u>Traffic Mitigation Fees</u> | <u>Governmental Funds</u> | <u>Totals</u>    |
| -               | -                              | -                         | 1,985,268        |
| 136,261         | 143,417                        | 818,540                   | 2,962,692        |
| -               | -                              | -                         | 607,787          |
| -               | -                              | -                         | 417,231          |
| -               | -                              | -                         | 206,240          |
| -               | -                              | -                         | 210,089          |
| -               | 266                            | 1,688                     | 28,979           |
| -               | -                              | -                         | 81,112           |
| <u>136,261</u>  | <u>143,683</u>                 | <u>820,228</u>            | <u>6,499,398</u> |
| -               | -                              | -                         | 1,352,679        |
| -               | -                              | 131,755                   | 1,617,293        |
| -               | 97,336                         | 147,629                   | 1,588,710        |
| 181,695         | -                              | 135,775                   | 801,271          |
| -               | -                              | 310,307                   | 521,797          |
| <u>181,695</u>  | <u>97,336</u>                  | <u>725,466</u>            | <u>5,881,750</u> |
| (45,434)        | 46,347                         | 94,762                    | 617,648          |
| -               | -                              | 61,277                    | 71,738           |
| -               | -                              | (10,461)                  | (71,738)         |
| -               | -                              | 50,816                    | -                |
| (45,434)        | 46,347                         | 145,578                   | 617,648          |
| <u>(43,318)</u> | <u>21,922</u>                  | <u>297,484</u>            | <u>7,301,671</u> |
| <u>(88,752)</u> | <u>68,269</u>                  | <u>443,062</u>            | <u>7,919,319</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, 2012

|  |    |         |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 617,648 |
|--|----|---------|

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       |  | 854,822   |
| Depreciation expense |  | (809,256) |

|  |  |         |
|--|--|---------|
| 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. |  | (5,503) |
|--|--|---------|

|   |  |                |
|---|--|----------------|
| Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds. |  | <u>111,943</u> |
|---|--|----------------|

|  |    |                       |
|--|----|-----------------------|
| Changes in net assets of governmental activities | \$ | <u><u>769,654</u></u> |
|--|----|-----------------------|

See accompanying notes to basic financial statements.

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

Year Ended June 30, 2012

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

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

##### (a) Reporting Entity

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

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

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

- 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. 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, except for motor vehicle in lieu which has a 30 day availability period. 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.

Measure M Fund

The Measure M Fund is used 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.

Community Development Block Grant (CDBG) Fund

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

Traffic Mitigation Fees

The Traffic Mitigation Fees fund is used to account for receipts and expenditures for programs related to traffic mitigation.

(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.

# CITY OF LAGUNA WOODS

## Notes to Basic Financial Statements

(Continued)

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

#### (e) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more. It is the policy of the City to capitalize infrastructure projects in excess of \$100,000 if they constitute infrastructure and have extended the useful life of the assets by 20 years or longer. Capital assets exclude public domain (infrastructure) general capital assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

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

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

#### (f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, gas taxes, motor vehicle in-lieu, Measure M revenue, reimbursement grant revenues and other revenues collected or provided by Federal, State, County and City governments that were unremitted to the City as of June 30, 2012. The County of Orange assesses, bills, and collects property taxes for the City.

#### (g) Compensated Absences

Permanent, full-time City employees earn 20-25 paid leave days a year, which includes vacations and sick time. The City accounts for compensated absences in accordance with GASB Statement No. 16. In governmental funds, compensated absences are recorded as expenditures in the year paid, and it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources.

## 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<br>Second Installment – February 1 |
| Delinquent Date: | First Installment – December 11<br>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 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)

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

(k) Fund Balance

The City follows the provisions of Statement on Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

|                           |                    |
|---------------------------|--------------------|
| Statements of Net Assets: |                    |
| Cash and investments      | <u>\$8,007,699</u> |

Cash and investments held by the City at June 30, 2012 consisted of the following:

|  |                    |
|--|--------------------|
| Petty cash                               | \$ 772             |
| Demand deposits                          | 651,465            |
| State Treasurer's Investment Pool (LAIF) | <u>7,355,462</u>   |
| Total cash and investments held by City  | <u>\$8,007,699</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.

Investments Authorized by the California Government Code and the City of Laguna Woods; Investment Policy

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 this 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.

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

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

(2) Cash and Investments, (Continued)

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

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

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

As of June 30, 2012, 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (continued)

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:

| <u>Investment Type</u> | <u>Remaining Maturity (in Months)</u> |                            |                           |                                | <u>Total</u>     |
|------------------------|---------------------------------------|----------------------------|---------------------------|--------------------------------|------------------|
|                        | <u>12 Months<br/>Or Less</u>          | <u>13 to 24<br/>Months</u> | <u>25 – 60<br/>Months</u> | <u>More than<br/>60 Months</u> |                  |
| State investment pool  | <u>\$7,355,462</u>                    | <u>-</u>                   | <u>-</u>                  | <u>-</u>                       | <u>7,355,462</u> |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

During the fiscal year ended June 30, 2012, the City of Laguna Woods did not hold any investments that were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

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

| <u>Investment Type</u> | <u>Minimum<br/>Legal<br/>Rating</u> | <u>Exempt<br/>From<br/>Disclosure</u> | <u>Rating as of Year End</u> |           |                      |
|------------------------|-------------------------------------|---------------------------------------|------------------------------|-----------|----------------------|
|                        |                                     |                                       | <u>AAA</u>                   | <u>Aa</u> | <u>Not<br/>Rated</u> |
| State investment pool  | <u>\$7,355,462</u>                  | N/A                                   | <u>-</u>                     | <u>-</u>  | <u>\$7,355,462</u>   |

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

#### (2) Cash and Investments, (Continued)

##### 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, 2012, the City of Laguna Woods did not hold any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total City investments.

##### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City of Laguna Woods deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, 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 Woods' 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.

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

(3) Interfund Transactions

Due to/due from other funds:

Current interfund receivables and payables balances at June 30, 2012 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>                         | <u>Amount</u>      |
|------------------------|---|--------------------|
| General Fund           | Measure M Special Revenue Fund              | \$812,956 (a)      |
|                        | CDBG Special Revenue Fund                   | 134,168 (a)        |
|                        | Nonmajor Governmental Funds                 | <u>96,920 (a)</u>  |
|                        | Total General Fund                          | <u>1,044,044</u>   |
|                        | Total Interfund Receivables<br>and Payables | <u>\$1,044,044</u> |

(a) The amounts owed represent short – term borrowings to manage cash flows

Interfund Transfers:

For the year ended June 30, 2012, interfund transfers were as follows:

| <u>Transfers In</u> | <u>Transfers Out</u>      | <u>Amount</u>     |
|---------------------|---------------------------|-------------------|
| General Fund        | Nonmajor Funds            | \$10,461 (a)      |
| Nonmajor Funds      | General Funds             | <u>61,277 (a)</u> |
|                     | Total Interfund Transfers | <u>\$71,738</u>   |

Significant interfund transfers were primarily to:

(a) Subsidize project expenditures.

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

(4) Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

|  | Balance at<br>June 30, 2011 | Additions | Deletions | Balance at<br>June 30, 2012 |
|--|-----------------------------|-----------|-----------|-----------------------------|
| Governmental activities:                                 |                             |           |           |                             |
| Capital assets not being depreciated:                    |                             |           |           |                             |
| Land*  | \$6,916,750                 | -         | -         | 6,916,750                   |
| Capital assets being depreciated:                        |                             |           |           |                             |
| Building   | 2,563,250                   | -         | -         | 2,563,250                   |
| Building improvements                                    | 736,647                     | -         | -         | 736,647                     |
| Furniture and equipment                                  | 173,700                     | 12,271    | -         | 185,971                     |
| Infrastructure   | 13,719,367                  | 842,551   | -         | 14,561,918                  |
| Total capital assets being depreciated                   | 17,192,964                  | 854,822   | -         | 18,047,786                  |
| Less accumulated depreciation for:                       |                             |           |           |                             |
| Building   | (73,236)                    | (73,236)  | -         | (146,472)                   |
| Building improvements                                    | (698,359)                   | (5,470)   | -         | (703,828)                   |
| Furniture and equipment                                  | (173,700)                   | (2,454)   | -         | (176,154)                   |
| Infrastructure   | (2,736,343)                 | (728,096) | -         | (3,464,439)                 |
| Total accumulated depreciation                           | (3,681,637)                 | (809,256) | -         | (4,490,893)                 |
| Total capital assets being depreciated, net              | 13,511,327                  | 45,566    | -         | 13,556,893                  |
| Total capital assets,<br>net of accumulated depreciation | \$20,428,077                | 45,566    | -         | 20,473,643                  |

Depreciation expense was charged to functions as follows:

|                           |               |
|---------------------------|---------------|
| General government        | \$ 81,160     |
| Public works              | 728,096       |
| Total                     | \$ 809,256    |
|                           | Remaining     |
|                           | Commitment    |
| Construction commitments: | Spent-to-date |
| Moulton Parkway           | \$2,424,290   |
| City Hall                 | 43,759        |
|                           | \$200,510     |
|                           | 655,164       |

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

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 were as follows:

|                          | <u>Balance at<br/>June 30, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at<br/>June 30, 2012</u> | <u>Due Within<br/>One Year</u> |
|--------------------------|-------------------------------------|------------------|-------------------|-------------------------------------|--------------------------------|
| Governmental Activities: |                                     |                  |                   |                                     |                                |
| Compensated absences     | <u>\$146,020</u>                    | <u>57,958</u>    | <u>(52,454)</u>   | <u>151,524</u>                      | <u>32,909</u>                  |

(6) Other Required Disclosures

The following funds had deficit fund balances as of June 30, 2012:

Major Special Revenue Funds:

|                |               |
|----------------|---------------|
| Measure M      | \$709,715 (a) |
| Proposition 1B | 24,321        |

Nonmajor Special Revenue Funds:

|                                   |        |
|-----------------------------------|--------|
| Traffic Congestion Relief         | 33,642 |
| Supplemental Law Enforcement      | 15     |
| Senior Mobility                   | 66,806 |
| Community Development Block Grant | 88,752 |

(a) The deficit fund balance represent cost incurred for restricted long term capital projects. Cost will be reimbursed by a granting agency in a subsequent period.

The following funds had excess of expenditures over appropriations as of June 30, 2012:

|                                 | <u>Budget</u> | <u>Actual</u> | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---------------------------------|---------------|---------------|---|
| Major Special Revenue Funds:    |               |               |   |
| Measure M                       | 171,786       | 611,089       | (439,303)                                       |
| Nonmajor Special Revenue Funds: |               |               |   |
| Air Quality Improvement         | -             | 47,426        | (47,426)  |
| Park State Bonds                | -             | 44,583        | (44,584)  |
| CDBG                            | 104,088       | 181,695       | (77,607)  |

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

#### (6) Other Required Disclosures (Continued)

The City's budget policy allows for budget carryovers for: (1) 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) unexpected appropriations for capital improvement projects. The excess expenditures over appropriations noted above meet this requirement.

#### (7) Insurance Policies

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 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. The Authority is governed by a board of directors, consisting of one elected official appointed by each member agency, and by an executive committee of the board of directors.

##### 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.

##### 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.

CITY OF LAGUNA WOODS  
Notes to Basic Financial Statements

(Continued)

(7) Insurance Policies, (Continued)

Workers Compensation (Continued)

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. There were no claims payable at June 30, 2012.

(8) 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, Aliso Viejo, Rancho Santa Margarita, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, Westminster and Yorba Linda and the County of Orange to create the Orange County Fire Authority (Authority). The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Westminster, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Westminster, Buena Park, Placentia and Seal Beach are considered "cash contract Cities" and accordingly make cash contributions based on the Authority's annual budget. The City 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)

### (9) Defined Benefit Pension Plan

#### Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living, 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained by writing to 400 "P" Street, Sacramento, California 95814.

#### Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contribution required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and city contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plans contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The City's covered payroll for PERS was \$744,767 for the year ended June 30, 2012, while the City's total payroll for all the employees was \$810,554 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

#### Three-Year Trend Information

| <u>Fiscal Year</u> | <u>Employer Contribution Rate</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|-----------------------------------|----------------------------|-------------------------------|-------------------------------|
| 6/30/10            | 10.437%                           | 122,119                    | 100%                          | -0-                           |
| 6/30/11            | 9.951%                            | 119,996                    | 100%                          | -0-                           |
| 6/30/12            | 10.896%                           | 133,283                    | 100%                          | -0-                           |

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

#### (10) Non-spendable and Assigned Fund Balance

Non-spendable and assigned fund balance segregate portions of fund balance that are not available expendable resources. General Fund assigned fund balance for various capital projects, compensated absences, and self insurance contingencies totaled \$369,640, \$151,525, and \$500,000, respectively as of June 30, 2012.

#### (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.

#### (11) Subsequent Events

Management has evaluated subsequent events through February 27, 2013, the date the financial statements were available to be issued.

## 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 these funds have been presented in the accompanying financial statements as Required Supplementary Information:

### 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.

### Measure M Fund

The Measure M fund is used 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.

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.

### Traffic Mitigation Fees

The Traffic Mitigation Fees Fund is used to account for receipts and expenditures for programs related to traffic mitigation.

CITY OF LAGUNA WOODS  
General Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|  | Budgeted Amounts    |                    | Actual           | Variances with<br>Final Budget |
|--|---------------------|--------------------|------------------|--------------------------------|
|  | Original            | Final              |                  | Positive (Negative)            |
| Revenues:  |                     |                    |                  |                                |
| Taxes  | 1,269,265           | 1,208,299          | 1,482,141        | 273,842                        |
| Intergovernmental revenues                           | 1,789,021           | 1,888,920          | 1,627,101        | (261,819)                      |
| Franchise fees                                       | 612,819             | 555,092            | 607,787          | 52,695                         |
| Licenses and permits                                 | 262,660             | 262,660            | 417,231          | 154,571                        |
| Charges for services                                 | 333,380             | 286,017            | 206,240          | (79,777)                       |
| Fines and forfeitures                                | 181,564             | 95,943             | 210,089          | 114,146                        |
| Investment income                                    | 24,361              | 35,632             | 26,954           | (8,678)                        |
| Miscellaneous  | 167,366             | 115,338            | 81,112           | (34,226)                       |
| Total revenues                                       | <u>4,640,436</u>    | <u>4,447,901</u>   | <u>4,658,655</u> | <u>210,754</u>                 |
| Expenditures:  |                     |                    |                  |                                |
| Current:   |                     |                    |                  |                                |
| General government                                   | 2,718,276           | 1,800,300          | 1,352,679        | 447,621                        |
| Public safety  | 1,681,058           | 1,870,070          | 1,485,538        | 384,532                        |
| Public works   | 262,904             | 280,404            | 374,071          | (93,667)                       |
| Community development                                | 382,436             | 409,800            | 483,801          | (74,001)                       |
| Community services                                   | 176,219             | 232,550            | 211,490          | 21,060                         |
| Total expenditures                                   | <u>5,220,893</u>    | <u>4,593,124</u>   | <u>3,907,579</u> | <u>685,545</u>                 |
| Excess (deficiency) of revenues<br>over expenditures | <u>(580,457)</u>    | <u>(145,223)</u>   | <u>751,076</u>   | <u>896,299</u>                 |
| Other financing sources (uses):                      |                     |                    |                  |                                |
| Transfers in   | 1,450,000           | 1,450,000          | 10,461           | (1,439,539)                    |
| Transfers out  | <u>(1,450,000)</u>  | <u>(1,450,000)</u> | <u>(61,277)</u>  | <u>1,388,723</u>               |
| Total other financing<br>sources (uses)              | <u>-</u>            | <u>-</u>           | <u>(50,816)</u>  | <u>(50,816)</u>                |
| Net change in fund balance                           | <u>(580,457)</u>    | <u>(145,223)</u>   | <u>700,260</u>   | <u>845,483</u>                 |
| Fund balance, beginning                              | <u>7,136,421</u>    | <u>7,136,421</u>   | <u>7,136,421</u> | <u>-</u>                       |
| Fund balance, ending                                 | <u>\$ 6,555,964</u> | <u>6,991,198</u>   | <u>7,836,681</u> | <u>845,483</u>                 |

CITY OF LAGUNA WOODS  
Gas Tax  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|  | Budgeted Amounts  |                | Actual         | Variances with                      |
|--|-------------------|----------------|----------------|-------------------------------------|
|  | Original          | Final          |                | Final Budget<br>Positive (Negative) |
| Revenues:  |                   |                |                |                                     |
| Taxes  | \$ 410,881        | 410,881        | 503,127        | 92,246                              |
| Investment income  | -                 | -              | 71             | 71                                  |
| Total revenues   | <u>410,881</u>    | <u>410,881</u> | <u>503,198</u> | <u>92,317</u>                       |
| Expenditures:  |                   |                |                |                                     |
| Current:   |                   |                |                |                                     |
| Public works   | <u>410,881</u>    | <u>410,881</u> | <u>358,585</u> | <u>52,296</u>                       |
| Total expenditures   | <u>410,881</u>    | <u>410,881</u> | <u>358,585</u> | <u>52,296</u>                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>-</u>          | <u>-</u>       | <u>144,613</u> | <u>144,613</u>                      |
| Other financing sources (uses):                              |                   |                |                |                                     |
| Transfers out  | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>                            |
| Net change in<br>fund balance                                | -                 | -              | 144,613        | 144,613                             |
| Fund balance, beginning                                      | <u>225,161</u>    | <u>225,161</u> | <u>225,161</u> | <u>-</u>                            |
| Fund balance, ending   | <u>\$ 225,161</u> | <u>225,161</u> | <u>369,774</u> | <u>144,613</u>                      |

CITY OF LAGUNA WOODS  
Measure M  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                                | Budgeted Amounts    |                  | Actual           | Variances with                      |
|--------------------------------|---------------------|------------------|------------------|-------------------------------------|
|                                | Original            | Final            |                  | Final Budget<br>Positive (Negative) |
| Revenues:                      |                     |                  |                  |                                     |
| Intergovernmental              | \$ 171,786          | 171,786          | 237,373          | 65,587                              |
| Investment income              | -                   | -                | -                | -                                   |
| Total revenues                 | 171,786             | 171,786          | 237,373          | 65,587                              |
| Expenditures:                  |                     |                  |                  |                                     |
| Public works                   | 171,786             | 171,786          | 611,089          | (439,303)                           |
| Total expenditures             | 171,786             | 171,786          | 611,089          | (439,303)                           |
| Net change in fund balance     | -                   | -                | (373,716)        | (373,716)                           |
| Fund balance, beginning        | (335,999)           | (335,999)        | (335,999)        | -                                   |
| Fund balance (deficit), ending | <u>\$ (335,999)</u> | <u>(335,999)</u> | <u>(709,715)</u> | <u>(373,716)</u>                    |

CITY OF LAGUNA WOODS  
Community Development Block Grant  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                            | <u>Budgeted Amounts</u> |                 |                 | <u>Variances with</u>      |
|----------------------------|-------------------------|-----------------|-----------------|----------------------------|
|                            | <u>Original</u>         | <u>Final</u>    | <u>Actual</u>   | <u>Final Budget</u>        |
|                            |                         |                 |                 | <u>Positive (Negative)</u> |
| Revenues:                  |                         |                 |                 |                            |
| Intergovernmental          | \$ 395,533              | 395,533         | 136,261         | (259,272)                  |
| Total revenues             | <u>395,533</u>          | <u>395,533</u>  | <u>136,261</u>  | <u>(259,272)</u>           |
| Expenditures:              |                         |                 |                 |                            |
| Community development      | <u>104,088</u>          | <u>104,088</u>  | <u>181,695</u>  | <u>(77,607)</u>            |
| Total expenditures         | <u>104,088</u>          | <u>104,088</u>  | <u>181,695</u>  | <u>(77,607)</u>            |
| Net change in fund balance | <u>291,445</u>          | <u>291,445</u>  | <u>(45,434)</u> | <u>(336,879)</u>           |
| Fund balance, beginning    | <u>-</u>                | <u>(43,318)</u> | <u>(43,318)</u> | <u>-</u>                   |
| Fund balance, ending       | <u>\$ -</u>             | <u>248,127</u>  | <u>(88,752)</u> | <u>(336,879)</u>           |

CITY OF LAGUNA WOODS  
Traffic Mitigation Fees  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|  | Budgeted Amounts   |                 | Actual        | Variances with                      |
|--|--------------------|-----------------|---------------|-------------------------------------|
|  | Original           | Final           |               | Final Budget<br>Positive (Negative) |
| Revenues:  |                    |                 |               |                                     |
| Intergovernmental  | \$ -               | -               | 143,417       | 143,417                             |
| Investment income  | -                  | -               | 266           | 266                                 |
| Total revenues   | -                  | -               | 143,683       | 143,683                             |
| Expenditures:  |                    |                 |               |                                     |
| Public works   | 100,000            | 100,000         | 97,336        | 2,664                               |
| Total expenditures   | 100,000            | 100,000         | 97,336        | 2,664                               |
| Excess (deficiency) of revenues<br>over (under) expenditures | (100,000)          | (100,000)       | 46,347        | 146,347                             |
| Other financing sources (uses):                              |                    |                 |               |                                     |
| Transfers in   | -                  | -               | -             | -                                   |
| Net change in fund balance                                   | (100,000)          | (100,000)       | 46,347        | 146,347                             |
| Fund balance, beginning                                      | 21,922             | 21,922          | 21,922        | -                                   |
| Fund balance, ending   | <u>\$ (78,078)</u> | <u>(78,078)</u> | <u>68,269</u> | <u>146,347</u>                      |

## CITY OF LAGUNA WOODS

### Notes to the Required Supplementary Information

(Continued)

#### (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. The City's budget policy allows for budget carryovers for: (1) 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) unexpected appropriations for capital improvement projects. 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 \$5,104,045, through amendments approved by the City Council.

## 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.

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

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

Seatbelt Safety Enforcement –to account for receipts and expenditures for enforcement and awareness programs related to seatbelt safety.

Federal Transportation Fund – The Federal Transportation fund is used to account for receipts and expenditures from grants received from the State of California Department of Transportation for transportation related projects.

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

E-Waste U-Waste –to account for receipts and expenditures for enforcement and awareness programs related to E-Waste and U-Waste.

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.

Park State 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.

### Proposition 1B Fund

The Proposition 1B Fund is used to account for revenues and expenditures if the Proposition 1B State bond money restricted to local transportation projects.

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, 2012

|                                       | Traffic<br>Congestion<br><u>Relief</u> | Air Quality<br><u>Improvement</u> | Supplemental<br>Law<br><u>Enforcement</u> | Seatbelt<br>Safety<br><u>Enforcement</u> | Federal<br><u>Transportation</u> |
|---------------------------------------|--|-----------------------------------|---|--|----------------------------------|
| <u>Assets:</u>                        |  |                                   |   |  |                                  |
| Cash and investments                  | \$ -                                   | 21,762                            | 8,710                                     | 3,763                                    | 22,503                           |
| Receivables:                          |  |                                   |   |  |                                  |
| Accounts receivable                   | -                                      | -                                 | -   | -  | -                                |
| Due from other funds                  | -                                      | -                                 | -   | -  | -                                |
| Due from other governments            | -                                      | 5,111                             | 32  | -  | 18                               |
|                                       | <u>-</u>                               | <u>5,111</u>                      | <u>32</u>                                 | <u>-</u>                                 | <u>18</u>                        |
| Total assets                          | <u>\$ -</u>                            | <u>26,873</u>                     | <u>8,742</u>                              | <u>3,763</u>                             | <u>22,521</u>                    |
| <u>Liabilities and Fund Balances:</u> |  |                                   |   |  |                                  |
| Liabilities:                          |  |                                   |   |  |                                  |
| Accounts payable                      | \$ -                                   | -                                 | 8,757                                     | -  | -                                |
| Retentions Payable                    |  | -                                 | -   | -  | -                                |
| Deferred revenue                      | -                                      | -                                 | -   | -  | -                                |
| Due to other funds                    | 33,642                                 | -                                 | -   | -  | -                                |
|                                       | <u>33,642</u>                          | <u>-</u>                          | <u>-</u>                                  | <u>-</u>                                 | <u>-</u>                         |
| Total liabilities                     | <u>33,642</u>                          | <u>-</u>                          | <u>8,757</u>                              | <u>-</u>                                 | <u>-</u>                         |
| Fund balances (deficits):             |  |                                   |   |  |                                  |
| Restricted for:                       |  |                                   |   |  |                                  |
| Public works                          | -                                      | -                                 | -   | -  | 22,521                           |
| Community development                 | -                                      | -                                 | -   | -  | -                                |
| Public safety                         | -                                      | 26,873                            | -   | 3,763                                    | -                                |
| Unassigned                            | (33,642)                               | -                                 | (15)                                      | -  | -                                |
|                                       | <u>(33,642)</u>                        | <u>-</u>                          | <u>(15)</u>                               | <u>-</u>                                 | <u>-</u>                         |
| Total fund balances (deficits)        | <u>(33,642)</u>                        | <u>26,873</u>                     | <u>(15)</u>                               | <u>3,763</u>                             | <u>22,521</u>                    |
| Total liabilities and fund balances   | <u>\$ -</u>                            | <u>26,873</u>                     | <u>8,742</u>                              | <u>3,763</u>                             | <u>22,521</u>                    |

| <u>Grants</u>  | <u>E-Waste<br/>U-Waste</u> | <u>Emergency<br/>Management</u> | <u>Park<br/>State Bonds</u> | <u>Senior<br/>Mobility</u> | <u>Proposition<br/>1B</u> | <u>Totals</u>  |
|----------------|----------------------------|---------------------------------|-----------------------------|----------------------------|---------------------------|----------------|
| 515,697        | 8,685                      | 15,554                          | 27,030                      | -                          | -                         | 623,704        |
| -              | -                          | -                               | -                           | -                          | -                         | -              |
| -              | -                          | -                               | -                           | -                          | -                         | -              |
| 14,913         | -                          | -                               | -                           | 79,146                     | -                         | 99,220         |
| <u>530,610</u> | <u>8,685</u>               | <u>15,554</u>                   | <u>27,030</u>               | <u>79,146</u>              | <u>-</u>                  | <u>722,924</u> |
| 44,010         | -                          | -                               | 6,333                       | 50,050                     | 5,867                     | 115,017        |
| 880            | -                          | -                               | -                           | -                          | -                         | 880            |
| -              | -                          | -                               | -                           | 67,045                     | -                         | 67,045         |
| 9,118          | -                          | -                               | 6,849                       | 28,857                     | 18,454                    | 96,920         |
| <u>54,008</u>  | <u>-</u>                   | <u>-</u>                        | <u>13,182</u>               | <u>145,952</u>             | <u>24,321</u>             | <u>279,862</u> |
| -              | -                          | -                               | -                           | -                          | -                         | 22,521         |
| -              | -                          | -                               | 13,848                      | -                          | -                         | 13,848         |
| 476,602        | 8,685                      | 15,554                          | -                           | -                          | -                         | 531,477        |
| -              | -                          | -                               | -                           | (66,806)                   | (24,321)                  | (124,784)      |
| <u>476,602</u> | <u>8,685</u>               | <u>15,554</u>                   | <u>13,848</u>               | <u>(66,806)</u>            | <u>(24,321)</u>           | <u>443,062</u> |
| <u>530,610</u> | <u>8,685</u>               | <u>15,554</u>                   | <u>27,030</u>               | <u>79,146</u>              | <u>-</u>                  | <u>722,924</u> |

CITY OF LAGUNA WOODS  
Non-major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2012

|  | Traffic<br>Congestion<br><u>Relief</u> | Air Quality<br><u>Improvement</u> | Supplemental<br>Law<br><u>Enforcement</u> | Seatbelt<br>Safety<br><u>Enforcement</u> | Federal<br><u>Transportation</u> |
|--|--|-----------------------------------|---|--|----------------------------------|
| Revenues:  |  |                                   |   |  |                                  |
| Intergovernmental  | \$ -                                   | 20,355                            | 100,000                                   | -  | -                                |
| Investment income  | <u>388</u>                             | <u>380</u>                        | <u>32</u>                                 | <u>-</u>                                 | <u>18</u>                        |
| Total revenues   | <u>388</u>                             | <u>20,735</u>                     | <u>100,032</u>                            | <u>-</u>                                 | <u>18</u>                        |
| Expenditures:  |  |                                   |   |  |                                  |
| Current:   |  |                                   |   |  |                                  |
| Public safety  | -                                      | -                                 | 131,755                                   | -  | -                                |
| Public works   | -                                      | 47,426                            | -   | -  | -                                |
| Community development  | -                                      | -                                 | -   | -  | -                                |
| Community services   | <u>-</u>                               | <u>-</u>                          | <u>-</u>                                  | <u>-</u>                                 | <u>-</u>                         |
| Total expenditures   | <u>-</u>                               | <u>47,426</u>                     | <u>131,755</u>                            | <u>-</u>                                 | <u>-</u>                         |
| Excess (deficiency) of revenues<br>over (under) expenditures | 388                                    | (26,691)                          | (31,723)                                  | -  | 18                               |
| Other financing sources (uses):                              |  |                                   |   |  |                                  |
| Transfers in   | -                                      | -                                 | -   | -  | -                                |
| Transfers out  | <u>-</u>                               | <u>-</u>                          | <u>-</u>                                  | <u>-</u>                                 | <u>-</u>                         |
| Total other financing sources<br>and (uses)                  | <u>-</u>                               | <u>-</u>                          | <u>-</u>                                  | <u>-</u>                                 | <u>-</u>                         |
| Net change in fund balances                                  | 388                                    | (26,691)                          | (31,723)                                  | -  | 18                               |
| Fund balances, beginning of year                             | <u>(34,030)</u>                        | <u>53,564</u>                     | <u>31,708</u>                             | <u>3,763</u>                             | <u>22,503</u>                    |
| Fund balances (deficit), end of year                         | <u>\$ (33,642)</u>                     | <u>26,873</u>                     | <u>(15)</u>                               | <u>3,763</u>                             | <u>22,521</u>                    |

| <u>Grants</u>  | <u>E-Waste<br/>U-Waste</u> | <u>Emergency<br/>Management</u> | <u>Park<br/>State Bonds</u> | <u>Senior<br/>Mobility</u> | <u>Proposition<br/>1B</u> | <u>Totals</u>  |
|----------------|----------------------------|---------------------------------|-----------------------------|----------------------------|---------------------------|----------------|
| 419,674        | -                          | -                               | 86,448                      | 192,063                    | -                         | 818,540        |
| 512            | -                          | -                               | 54                          | -                          | 304                       | 1,688          |
| <u>420,186</u> | <u>-</u>                   | <u>-</u>                        | <u>86,502</u>               | <u>192,063</u>             | <u>304</u>                | <u>820,228</u> |
| -              | -                          | -                               | -                           | -                          | -                         | 131,755        |
| 100,203        | -                          | -                               | -                           | -                          | -                         | 147,629        |
| 91,192         | -                          | -                               | 44,583                      | -                          | -                         | 135,775        |
| -              | -                          | -                               | -                           | 310,307                    | -                         | 310,307        |
| <u>191,395</u> | <u>-</u>                   | <u>-</u>                        | <u>44,583</u>               | <u>310,307</u>             | <u>-</u>                  | <u>725,466</u> |
| 228,791        | -                          | -                               | 41,919                      | (118,244)                  | 304                       | 94,762         |
| -              | -                          | -                               | 61,277                      | -                          | -                         | 61,277         |
| -              | -                          | -                               | -                           | (10,461)                   | -                         | (10,461)       |
| <u>-</u>       | <u>-</u>                   | <u>-</u>                        | <u>61,277</u>               | <u>(10,461)</u>            | <u>-</u>                  | <u>50,816</u>  |
| 228,791        | -                          | -                               | 103,196                     | (128,705)                  | 304                       | 145,578        |
| 247,811        | 8,685                      | 15,554                          | (89,348)                    | 61,899                     | (24,625)                  | 297,484        |
| <u>476,602</u> | <u>8,685</u>               | <u>15,554</u>                   | <u>13,848</u>               | <u>(66,806)</u>            | <u>(24,321)</u>           | <u>443,062</u> |

CITY OF LAGUNA WOODS  
Traffic Congestion Relief  
Non-major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                            | Final<br>Budget    | Actual          | Variances with<br>Final Budget<br>Positive (Negative) |
|----------------------------|--------------------|-----------------|---|
| Revenues:                  |                    |                 |   |
| Intergovernmental          | \$ -               | -               | -   |
| Investment income          | -                  | 388             | 388   |
|                            | <u>-</u>           | <u>388</u>      | <u>388</u>  |
| Total revenues             | <u>-</u>           | <u>388</u>      | <u>388</u>  |
| Expenditures:              |                    |                 |   |
| Public works               | -                  | -               | -   |
|                            | <u>-</u>           | <u>-</u>        | <u>-</u>  |
| Net change in fund balance | -                  | 388             | 388   |
| Fund balance, beginning    | (34,030)           | (34,030)        | -   |
|                            | <u>(34,030)</u>    | <u>(34,030)</u> | <u>-</u>  |
| Fund balance, ending       | <u>\$ (34,030)</u> | <u>(33,642)</u> | <u>388</u>  |

CITY OF LAGUNA WOODS  
 Air Quality Improvement  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended June 30, 2012

|                            | Final<br>Budget         | Actual               | Variances with<br>Final Budget<br>Positive (Negative) |
|----------------------------|-------------------------|----------------------|---|
| Revenues:                  |                         |                      |   |
| Intergovernmental          | \$ -                    | 20,355               | 20,355  |
| Investment income          | <u>-</u>                | <u>380</u>           | <u>380</u>  |
| Total revenues             | <u>-</u>                | <u>20,735</u>        | <u>20,735</u>   |
| Expenditures:              |                         |                      |   |
| Public works               | <u>-</u>                | <u>47,426</u>        | <u>(47,426)</u>                                       |
| Net change in fund balance | -                       | (26,691)             | (26,691)  |
| Fund balance, beginning    | <u>56,564</u>           | <u>53,564</u>        | <u>(3,000)</u>  |
| Fund balance, ending       | <u><u>\$ 56,564</u></u> | <u><u>26,873</u></u> | <u><u>(29,691)</u></u>                                |

CITY OF LAGUNA WOODS  
Supplemental Law Enforcement  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                            | <u>Final<br/>Budget</u> | <u>Actual</u>  | <u>Variances with<br/>Final Budget<br/>Positive (Negative)</u> |
|----------------------------|-------------------------|----------------|--|
| Revenues:                  |                         |                |  |
| Intergovernmental          | \$ 100,000              | 100,000        | -  |
| Investment income          | <u>-</u>                | <u>32</u>      | <u>32</u>  |
| Total revenues             | <u>100,000</u>          | <u>100,032</u> | <u>32</u>  |
| Expenditures:              |                         |                |  |
| Public Safety              | <u>132,000</u>          | <u>131,755</u> | <u>245</u>   |
| Total expenditures         | <u>132,000</u>          | <u>131,755</u> | <u>245</u>   |
| Net change in fund balance | (32,000)                | (31,723)       | 277  |
| Fund balance, beginning    | <u>31,709</u>           | <u>31,708</u>  | <u>(1)</u>   |
| Fund balance, ending       | <u>\$ (291)</u>         | <u>(15)</u>    | <u>276</u>   |

CITY OF LAGUNA WOODS  
 Seatbelt Safety Enforcement  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year Ended June 30, 2012

|  | Final<br>Budget | Actual | Variances with<br>Final Budget<br>Positive (Negative) |
|--|-----------------|--------|---|
| Revenues:  |                 |        |   |
| Intergovernmental  | \$ -            | -      | -   |
| Total revenues   | -               | -      | -   |
| Expenditures:  |                 |        |   |
| Current:   |                 |        |   |
| Public Safety  | -               | -      | -   |
| Total expenditures   | -               | -      | -   |
| Excess (deficiency) of revenues<br>over (under) expenditures | -               | -      | -   |
| Other financing sources (uses):                              |                 |        |   |
| Transfers in   | -               | -      | -   |
| Net change in<br>fund balance                                | -               | -      | -   |
| Fund balance, beginning                                      | 3,763           | 3,763  | -   |
| Fund balance (deficit), ending                               | \$ 3,763        | 3,763  | -   |

CITY OF LAGUNA WOODS  
Federal Transportation Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|  | Budgeted Amounts |               | Actual        | Variances with<br>Final Budget<br>Positive (Negative) |
|--|------------------|---------------|---------------|---|
|  | Original         | Final         |               |   |
| Revenues:  |                  |               |               |   |
| Investment income  | \$ -             | -             | 18            | 18  |
| Total revenues   | -                | -             | 18            | 18  |
| Expenditures:  |                  |               |               |   |
| Current:   |                  |               |               |   |
| Public works   | -                | -             | -             | -   |
| Total expenditures   | -                | -             | -             | -   |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                | -             | 18            | 18  |
| Other financing sources (uses):                              |                  |               |               |   |
| Transfers in   | -                | -             | -             | -   |
| Net change in<br>fund balance                                | -                | -             | 18            | 18  |
| Fund balance, beginning                                      | 22,503           | 22,503        | 22,503        | -   |
| Fund balance, ending   | <u>\$ 22,503</u> | <u>22,503</u> | <u>22,521</u> | <u>18</u>   |

CITY OF LAGUNA WOODS  
Grants  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                                | Final<br>Budget           | Actual                | Variances with<br>Final Budget<br>Positive (Negative) |
|--------------------------------|---------------------------|-----------------------|---|
| Revenues:                      |                           |                       |   |
| Intergovernmental              | \$ 188,122                | 419,674               | 231,552   |
| Investment income              | <u>-</u>                  | <u>512</u>            | <u>512</u>  |
| Total revenues                 | <u>188,122</u>            | <u>420,186</u>        | <u>232,064</u>  |
| Expenditures:                  |                           |                       |   |
| Community services             | 171,973                   | 91,192                | 80,781  |
| Public works                   | <u>276,412</u>            | <u>100,203</u>        | <u>176,209</u>  |
| Total expenditures             | <u>448,385</u>            | <u>191,395</u>        | <u>256,990</u>  |
| Net change in fund balance     | (260,263)                 | 228,791               | 489,054   |
| Fund balance, beginning        | <u>247,811</u>            | <u>247,811</u>        | <u>-</u>  |
| Fund balance (deficit), ending | <u><u>\$ (12,452)</u></u> | <u><u>476,602</u></u> | <u><u>489,054</u></u>                                 |

CITY OF LAGUNA WOODS  
E Waste / U Waste  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                            | Final<br>Budget    | Actual              | Variances with<br>Final Budget<br>Positive (Negative) |
|----------------------------|--------------------|---------------------|---|
| Revenues:                  |                    |                     |   |
| Intergovernmental          | \$ -               | -                   | -   |
| Investment income          | -                  | -                   | -   |
|                            | <u>-</u>           | <u>-</u>            | <u>-</u>  |
| Total revenues             | <u>-</u>           | <u>-</u>            | <u>-</u>  |
| Expenditures:              |                    |                     |   |
| Public works               | -                  | -                   | -   |
|                            | <u>-</u>           | <u>-</u>            | <u>-</u>  |
| Total expenditures         | <u>-</u>           | <u>-</u>            | <u>-</u>  |
| Net change in fund balance | -                  | -                   | -   |
| Fund balance, beginning    | <u>-</u>           | <u>8,685</u>        | <u>8,685</u>  |
| Fund balance, ending       | <u><u>\$ -</u></u> | <u><u>8,685</u></u> | <u><u>8,685</u></u>                                   |

CITY OF LAGUNA WOODS  
Emergency Management  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                            | Final<br>Budget  | Actual        | Variances with<br>Final Budget<br>Positive (Negative) |
|----------------------------|------------------|---------------|---|
| Revenues:                  |                  |               |   |
| Intergovernmental          | \$ -             | -             | -   |
| Total revenues             | -                | -             | -   |
| Expenditures:              |                  |               |   |
| Public safety              | -                | -             | -   |
| Total expenditures         | -                | -             | -   |
| Net change in fund balance | -                | -             | -   |
| Fund balance, beginning    | 15,554           | 15,554        | -   |
| Fund balance, ending       | <u>\$ 15,554</u> | <u>15,554</u> | <u>-</u>  |

CITY OF LAGUNA WOODS  
Park State Bonds  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                                      | Final<br>Budget    | Actual          | Variances with<br>Final Budget<br>Positive (Negative) |
|--------------------------------------|--------------------|-----------------|---|
| Revenues:                            |                    |                 |   |
| Intergovernmental                    | \$ -               | 86,448          | 86,448  |
| Investment income                    | <u>-</u>           | <u>54</u>       | <u>54</u>   |
| Total revenues                       | <u>-</u>           | <u>86,502</u>   | <u>86,502</u>   |
| Expenditures:                        |                    |                 |   |
| Community development                | -                  | 44,583          | (44,583)  |
| Community services                   | <u>-</u>           | <u>-</u>        | <u>-</u>  |
| Total expenditures                   | <u>-</u>           | <u>44,583</u>   | <u>(44,583)</u>                                       |
| Excess (deficiency) of revenues      | -                  | 41,919          | 131,085   |
| Other financing sources (uses):      |                    |                 |   |
| Transfers in                         | -                  | 61,277          | 61,277  |
| Transfers out                        | <u>-</u>           | <u>-</u>        | <u>-</u>  |
| Total other financing sources (uses) | <u>-</u>           | <u>61,277</u>   | <u>61,277</u>   |
| Net change in fund balance           | -                  | 103,196         | 192,362   |
| Fund balance, beginning              | <u>(89,348)</u>    | <u>(89,348)</u> | <u>-</u>  |
| Fund balance, ending                 | <u>\$ (89,348)</u> | <u>13,848</u>   | <u>192,362</u>  |

CITY OF LAGUNA WOODS  
Senior Mobility  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|  | Final<br>Budget  | Actual           | Variances with<br>Final Budget<br>Positive (Negative) |
|--|------------------|------------------|---|
| Revenues:  |                  |                  |   |
| Intergovernmental  | \$ 312,000       | 192,063          | (119,937)   |
| Investment income  | -                | -                | -   |
| Total revenues   | <u>312,000</u>   | <u>192,063</u>   | <u>(119,937)</u>                                      |
| Expenditures:  |                  |                  |   |
| Current:   |                  |                  |   |
| Public works   | 312,000          | 310,307          | 1,693   |
| Total expenditures   | <u>312,000</u>   | <u>310,307</u>   | <u>1,693</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures                             | <u>-</u>         | <u>(118,244)</u> | <u>(118,244)</u>                                      |
| Other financing sources (uses):  |                  |                  |   |
| Transfers out  | <u>-</u>         | <u>(10,461)</u>  | <u>(10,461)</u>                                       |
| Excess (Deficiency) of Revenues and<br>Other Sources over Expenditures<br>and Other Uses | -                | (128,705)        | (128,705)   |
| Fund balance, beginning  | 61,899           | 61,899           | -   |
| Fund balance (deficit), ending   | <u>\$ 61,899</u> | <u>(66,806)</u>  | <u>(128,705)</u>                                      |

CITY OF LAGUNA WOODS  
Proposition 1B  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2012

|                            | Final<br>Budget | Actual   | Variances with<br>Final Budget<br>Positive (Negative) |
|----------------------------|-----------------|----------|---|
| Revenues:                  |                 |          |   |
| Intergovernmental          | -               | -        | -   |
| Investment income          | -               | 304      | 304   |
| Total revenues             | -               | 304      | 304   |
| Expenditures:              |                 |          |   |
| Public works               | -               | -        | -   |
| Total expenditures         | -               | -        | -   |
| Net change in fund balance | -               | 304      | 304   |
| Fund balance, beginning    | (24,625)        | (24,625) | -   |
| Fund balance, ending       | (24,625)        | (24,321) | 304   |