

**CITY OF LAGUNA WOODS**  
Laguna Woods, California

**Basic Financial Statements  
and Supplementary Data**

June 30, 2014



An Independent CPA Firm

CITY OF LAGUNA WOODS

Basic Financial Statements and Supplementary Data

June 30, 2014

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CITY OF LAGUNA WOODS

Basic Financial Statements and Supplementary Data

June 30, 2014

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An Independent CPA Firm

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

## Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Woods, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Woods, California, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As described in note 1 to the financial statements, during the year ended June 30, 2014, the City implemented GASB Statements Nos. 65, 66, 67 and 70. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laguna Woods' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required By Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015 on our consideration of the City of Laguna Woods's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Laguna Woods' internal control over financial reporting and compliance.

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

*David L. Gruber and Associates, Inc.*  
Huntington Beach, California  
February 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

#### **FINANCIAL HIGHLIGHTS**

- The City ended fiscal year 2013-14 with total assets, including capital assets, exceeding total liabilities by \$32.6 million. This amount is referred to as the net position of the City. Of this amount, \$8.8 million is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$1.1 million during the year. Total program and general revenue from all sources equaled \$7.8 million and total expenses from all sources equaled \$6.7 million.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$9.0 million, a decrease of \$0.3 million in comparison to the prior year.
- Total governmental fund balances declined during the year and at the same time net position improved. This is due to the increase in capital assets and certain revenues that are included in the calculation of net assets but are excluded from the fund financial statements.
- The General Fund reported an ending fund balance of \$9.4 million and an excess of revenues over expenditures and transfers to other funds of \$0.7 million.
- The General Fund ending fund balance of \$9.4 million represents over 200% of annual General Fund expenditures.

#### **USING THIS ANNUAL REPORT**

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

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

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

These two statements report the City's net position at year-end and changes in net position during the fiscal year. The City's net position, the difference between assets and liabilities, are one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. We are pleased to report that the City's net position increased during Fiscal Year 2013-14.

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

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

The Fund Financial Statements provide detailed information about the most significant funds, not the City as a whole. Included are the General Fund, and the Measure M, Proposition 1B-State and Local Partnership, 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. 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 revenue funds.

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

### **THE CITY AS A WHOLE**

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



**Table 1**  
**Net Position**  
Governmental Activities

	<u>2014</u>	<u>2013-restated*</u>
Assets:		
Cash and investments	\$9,231,799	8,649,293
Other receivables and assets	1,031,003	1,718,889
Capital assets, net	<u>23,214,016</u>	<u>22,474,259</u>
<b>Total Assets</b>	<b><u>33,476,818</u></b>	<b><u>32,842,441</u></b>
Liabilities:		
Accounts payable and other accrued expenses	669,204	1,100,789
Long-term liabilities- net OPEB obligation	69,640	59,532
Long-term liabilities- compensated absences	<u>99,262</u>	<u>171,708</u>
<b>Total Liabilities</b>	<b><u>838,106</u></b>	<b><u>1,332,029</u></b>
Net Position:		
Net investment in capital assets	23,214,016	22,474,259
Restricted	579,521	920,587
Unrestricted	<u>8,845,175</u>	<u>8,115,566</u>
<b>Total net position</b>	<b><u>\$32,638,712</u></b>	<b><u>31,510,412</u></b>

\* Unrestricted net position was restated as of July 1, 2013 to include the OPEB liability and for other prior period adjustments. See Note 13 in the financial statements.

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

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 941,579	965,814
Operating contributions and grants	1,485,564	3,011,819
Capital contributions and grants	<u>1,457,217</u>	<u>100,000</u>
<b>Total program revenues</b>	<b>3,884,360</b>	<b>4,077,633</b>
General revenues:		
Taxes:		
Property taxes	289,177	384,386
Property taxes in lieu of VLF	1,557,290	1,649,600
Sales taxes	980,556	850,241
Franchise fees	628,027	688,948
Transient occupancy taxes	443,361	404,110
Investment income	<u>19,428</u>	<u>20,438</u>
<b>Total general revenues</b>	<b><u>3,917,839</u></b>	<b><u>3,997,723</u></b>

<b>Total revenues</b>	<b><u>7,802,199</u></b>	<b><u>8,075,356</u></b>
<b>Expenses</b>		
Governmental activities:		
General government	1,582,672	1,652,166
Public safety	1,865,156	1,738,531
Public works	2,090,472	165,783
Community development	700,826	850,354
Community services	<u>434,773</u>	<u>440,732</u>
<b>Total expenses</b>	<b><u>6,673,899</u></b>	<b><u>4,847,566</u></b>
<b>Increase/(decrease) in net position</b>	<b><u>\$1,128,300</u></b>	<b><u>\$3,227,790</u></b>

- Current and other assets in the government-wide financial statements were \$33,476,818 as of year-end, an increase of \$634,377 (2%) over the restated prior year, which was due primarily to the net increase in capital assets of \$739,757.
- Unrestricted net position, the part of net position that can be used to finance ongoing obligations, is \$8,845,175 at June 30, 2014, an increase of 9% over the prior year.
- The City's total program and general revenues were \$3,884,360 and \$3,917,839 respectively, totaling \$7,802,199, which was a decrease of approximately 3% from the prior year. The total cost of all programs and services was \$6,673,899, which was an increase of approximately 38%, due primarily to the growth in public works expenses.
- Local property tax revenues along with property taxes in lieu of State vehicle license fees (VLF) totaled \$1,846,467, and combined they are the City's largest revenue source at 24% of total revenues. These revenues fund a significant portion of the City's basic services. This combined revenue source declined by \$187,519 in FY 2013-14, or 9%, compared to FY 2012-13. FY 2012-13 property tax revenue was unusually high due to one-time reimbursement of previous years' property tax administrative fees from the County.
- Sales taxes of \$980,556 are the City's second largest revenue source at 13%. This revenue source increased by \$130,315, or 15% in FY 2013-14, compared to FY 2012-2013.

### **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 Activities**

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$1,582,672	1,463,852	1,652,166	1,531,072
Public Safety	1,865,156	1,445,128	1,738,531	1,379,858
Public Works	2,090,472	(209,740)	165,783	(2,184,894)
Community Development	700,826	(9,256)	850,354	(151,169)
Community Services	<u>434,773</u>	<u>99,555</u>	<u>440,732</u>	<u>195,066</u>
<b>Total</b>	<b><u>\$6,673,899</u></b>	<b><u>2,805,012</u></b>	<b><u>4,847,566</u></b>	<b><u>769,933</u></b>

- General Government expenses of \$1,582,672 comprise 24% of total cost of services in FY 2013-14, compared to 34% in the prior year, and include City Council, City Manager, City Clerk, City Attorney, Administrative Services, Support Services and Risk Management. Charges for services somewhat reduce the net cost of these programs.
- Public Safety expenses of \$1,865,156 comprise 28% of the total cost of services compared to 36% in the prior year. Revenue from fines and Federal and State operating grants reduced the need for general revenues to support this program in FY 2013-14 by nearly one-fourth.
- Public Works expenses of \$2,090,472 comprise 31% of the total cost of services, compared to 3% in the prior year. Operating and capital contributions and grants more than offset the total cost of these services this year. Fiscal year 2013-14 expenses included annual depreciation expense on the City's infrastructure assets of \$964,636, completion of most improvements to Moulton Parkway as part of the Smart Street Program, coordinated with the County of Orange to improve traffic flows on this major arterial roadway, and reconstruction of El Toro Road eastbound, from Calle Sonora to 525 feet west of Moulton Parkway, to install a multimodal trail and repave the roadway.
- Community Development expenses of \$700,826 comprise 11% of the total cost of services, compared to 18% in the prior year. The total cost of the program declined by \$149,528, or 18%, compared to FY 2012-2013.
- Community Services expenses of \$434,773 comprise 7% of the total cost of services, compared to 9% in the prior year. Operating contributions and grants and charges for services related to the Senior Mobility program helped to offset over three-fourths of all Community Services program expenses this past year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

At fiscal year-end the City's Governmental Funds reported combined fund balances of \$9,012,439, a decrease of \$254,954 or 3% from the prior year. The General Fund comprises \$9,392,501, or 104%, of the total fund balance. The fund balance of the City's General Fund equates to over 200% of annual General Fund expenditures.

## General Fund Budgetary Highlights:

**Revenues:** Actual total revenues of \$4,857,960 were \$178,460 or 4% higher than budgeted, primarily because local property and sales tax revenue, transfer occupancy tax revenue, development-related permits and fees, and fines and forfeitures were all greater than expected. Property tax in lieu, franchise fee revenue, investment income and miscellaneous revenue, however, came in under budget estimates.

**Expenditures:** Actual expenditures of \$4,145,573 were \$1,422,325 or 26% lower than budgeted. The primary reason was that capital outlay appropriations of \$1,213,485 for the City Hall project, included within the General Government category, were only 4% expended during the year. In addition, the rest of general government, public safety and community services programs were under budget for the year, while the public works and community development programs incurred expenditures that exceeded budget appropriations.

## CAPITAL ASSETS

Capital assets, net of accumulated depreciation, totaled \$23,214,016 at year-end, primarily consisting of the City's land, building, and infrastructure assets. During the fiscal year, the City added \$1,789,446 of value for new infrastructure assets and had \$1,049,690 of depreciation expense on capital assets, which increased accumulated depreciation to \$6,500,801 as of fiscal year-end. The year-end capital asset detail is as follows (\*= not depreciated):

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

	<u>2014</u>	<u>2013</u>
Land*	\$6,916,750	6,916,750
Buildings	2,563,250	2,563,250
Building improvements	736,647	736,647
Equipment and furniture	205,442	205,442
Infrastructure	19,292,728	17,503,282
Less accumulated depreciation	<u>(6,500,801)</u>	<u>(5,451,112)</u>
<b>Total net capital assets</b>	<b><u>\$23,214,016</u></b>	<b><u>22,474,259</u></b>

## DEBT ADMINISTRATION

The City of Laguna Woods currently has no debt obligations. However, compensated absences and the net Other Post-Employment Benefits (OPEB) obligation are classified as long-term liabilities and totaled \$99,262 and \$69,640, respectively, as of fiscal year-end. The City has assigned \$146,020 of its General Fund fund balance to address compensated absence liabilities.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The national economy continues on its "steady upward path," according to Cal State Fullerton's 2014 Economic Forecast. However, "mediocre growth seems to be the new norm." They indicate that this applies to the California and Orange County economies as well.

Cal State Fullerton and Chapman University economists both foresee continued job growth in Orange County, with estimates of 2.2% and 2.9% growth during calendar 2015, respectively. However, job growth is running at about half of the historic rate, when compared to population growth. Many people who dropped out of the job market during the Great Recession are staying out, and new jobs are not paying enough to attract applicants, according to Cal State Fullerton observers.

Cal State Fullerton also cites a “remarkable improvement” in the Orange County housing market, with the median single-family home price in the County hitting \$642,000 in August 2014, compared to \$425,000 at the depth of the Great Recession. The growth in home prices is not sustainable, according to Chapman University in their June 2014 economic forecast update. They foresee single-family housing prices in Orange County increasing by 4.1% in calendar 2015, compared to 20% growth in 2013 and 7% growth in 2014. Their view is that the positive impact of job growth in the County will be offset somewhat by higher projected inventories of new and resale housing units and lower housing affordability in the coming year.

The City’s 2014-15 Budget is based on the following assumptions:

- Assessed property valuations in Laguna Woods appear to be steadily increasing from their lows in FY 2011-12.
- Property transfer tax revenue is an indicator of the strength of the local housing market and may reach a record high in FY 2014-15.
- Sales tax revenue has been slowly increasing since FY 2009-10.
- Increases in residential construction and remodeling have resulted in corresponding increases in development processing fee revenue.
- Interest rates are projected to increase throughout FY 2014-15, based on the expectation that the Federal Reserve will raise short-term rates.

Total General Fund revenues are estimated at \$4,632,776 for FY 2014-15. The decline from FY 2013-14 revenue levels is primarily the result of the elimination of red light photo enforcement program in the City. General Fund operating expenditures are budgeted at \$4,374,738. Total General Fund expenditures, including the 5% Economic Uncertainties Reserve, non-operating expenditures and transfers to other funds, equal \$4,951,232. At the end of FY 2014-15, the General Fund unassigned fund balance is forecast to be at least 162% of FY 2014-15 General Fund operating expenditures.

## **CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and investments (note 2)	\$ 9,231,799
Accounts receivable	393,981
Due from other governments	<u>637,022</u>
Total current assets	<u>10,262,802</u>
Noncurrent assets:	
Capital assets (note 4):	
Capital assets not being depreciated	6,916,750
Capital assets being depreciated, net of accumulated depreciation	<u>16,297,266</u>
Total noncurrent assets	<u>23,214,016</u>
Total assets	<u>33,476,818</u>
Liabilities:	
Current liabilities:	
Due to other governments and accounts payable	476,795
Accrued expenses and deposits	192,409
Compensated absences - due within one year (note 5)	32,685
Net OPEB obligation - due within one year (note 5)	<u>2,181</u>
Total current liabilities	<u>704,070</u>
Noncurrent liabilities:	
Compensated absences - due in more than one year (note 5)	66,577
Net OPEB obligation - due in more than one year (note 5)	<u>67,459</u>
Total noncurrent liabilities	<u>134,036</u>
Total liabilities	<u>838,106</u>
Net position:	
Net investment in capital assets	23,214,016
Restricted for:	
Public safety	27,911
Public works	447,012
Community development	72,298
Cable television	32,300
Unrestricted	<u>8,845,175</u>
Total net position	<u>\$ 32,638,712</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA WOODS

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues		Net Governmental Activities	
		Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
<u>Governmental activities:</u>					
General government	\$ 1,582,672	118,820	-	-	(1,463,852)
Community development	700,826	535,675	174,407	-	9,256
Public safety	1,865,156	248,537	171,491	-	(1,445,128)
Public works	2,090,472	-	842,995	1,457,217	209,740
Community services	<u>434,773</u>	<u>38,547</u>	<u>296,671</u>	<u>-</u>	<u>(99,555)</u>
 Total governmental activities	 <u>\$ 6,673,899</u>	 <u>941,579</u>	 <u>1,485,564</u>	 <u>1,457,217</u>	 <u>(2,789,539)</u>
 General revenues:					
Taxes:					
Property taxes					289,177
Sales taxes					980,556
Transient occupancy taxes					443,361
Franchise taxes					628,027
Property taxes in lieu of vehicle license fees					1,557,290
Investment income					19,428
Other					<u>-</u>
 Total general revenues					 <u>3,917,839</u>
 Change in net position					 1,128,300
 Net position at beginning of year, as restated (note 13)					 <u>31,510,412</u>
 Net position at end of year					 <u>\$ 32,638,712</u>

See accompanying notes to basic financial statements.



FUND FINANCIAL STATEMENTS

CITY OF LAGUNA WOODS

Governmental Funds

Balance Sheet

June 30, 2014

	General	Measure M	Special Revenue Fund	
			Proposition 1B- State and Local Partnership	Traffic Mitigation Fees
<b>Assets</b>				
Cash and investments (note 2)	\$ 8,396,407	74,087	-	-
Receivables:				
Accounts	305,127	65,198	-	-
Due from other funds (note 3)	1,043,281	-	-	-
Due from other governments	4,365	235,774	293,000	-
Total assets	<u>\$ 9,749,180</u>	<u>375,059</u>	<u>293,000</u>	<u>-</u>
<b>Liabilities</b>				
Liabilities:				
Due to other governments/accounts payable	\$ 164,270	142,022	28,429	39,560
Accrued liabilities and deposits	192,409	-	-	-
Due to other funds (note 3)	-	419,774	264,571	110,915
Total liabilities	<u>356,679</u>	<u>561,796</u>	<u>293,000</u>	<u>150,475</u>
<b>Deferred In-Flows of Resources</b>				
Unavailable revenue	-	235,774	293,000	-
Total deferred in-flows of resources	<u>-</u>	<u>235,774</u>	<u>293,000</u>	<u>-</u>
<b>Fund balances (deficits)</b>				
Restricted for:				
Public works	-	-	-	-
Community development	-	-	-	-
Public safety	-	-	-	-
Cable television	32,300	-	-	-
Assigned to:				
Capital projects	1,128,762	-	-	-
Compensated absences	146,020	-	-	-
Self insurance contingencies	500,000	-	-	-
Unassigned	7,585,419	(422,511)	(293,000)	(150,475)
Total fund balances	<u>9,392,501</u>	<u>(422,511)</u>	<u>(293,000)</u>	<u>(150,475)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 9,749,180</u>	<u>375,059</u>	<u>293,000</u>	<u>-</u>

See accompanying notes to basic financial statements.

Other Governmental Funds	Totals
761,305	9,231,799
23,656	393,981
-	1,043,281
<u>103,883</u>	<u>637,022</u>
<u><u>888,844</u></u>	<u><u>11,306,083</u></u>
102,514	476,795
-	192,409
<u>248,021</u>	<u>1,043,281</u>
<u><u>350,535</u></u>	<u><u>1,712,485</u></u>
<u>52,385</u>	<u>581,159</u>
<u><u>52,385</u></u>	<u><u>581,159</u></u>
461,711	461,711
72,298	72,298
27,911	27,911
-	32,300
-	1,128,762
-	146,020
-	500,000
<u>(75,996)</u>	<u>6,643,437</u>
<u><u>485,924</u></u>	<u><u>9,012,439</u></u>
<u><u>888,844</u></u>	<u><u>11,306,083</u></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 Position  
June 30, 2014

Fund balances of governmental funds	\$ 9,012,439
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Cost of capital assets	29,714,817
Accumulated depreciation	(6,500,801)
Noncurrent 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 Position.	
Compensated absences	(99,262)
Net OPEB obligation	(69,640)
Certain revenues were not available to pay for current-period expenditures and, hence, were recorded as deferred inflows in funds.	<u>581,159</u>
Net position of governmental activities	<u>\$ 32,638,712</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, 2014

	Special Revenue Funds			
	General	Measure M	Proposition 1B- State and Local Partnership	Traffic Mitigation Fees
<b>Revenues:</b>				
Taxes	\$ 3,235,693	-	-	-
Intergovernmental	-	296,140	-	681,800
Franchise fees	628,028	-	-	-
Charges for services	610,251	-	-	-
Fines and forfeitures	248,089	-	-	-
Investment income	17,970	-	-	-
Miscellaneous	117,929	-	-	-
Total revenues	<u>4,857,960</u>	<u>296,140</u>	<u>-</u>	<u>681,800</u>
<b>Expenditures:</b>				
Current:				
General government	1,559,221	-	-	-
Public safety	1,643,332	-	-	-
Public works	295,853	682,900	293,000	938,593
Community development	478,264	-	-	-
Community services	168,903	-	-	-
Total expenditures	<u>4,145,573</u>	<u>682,900</u>	<u>293,000</u>	<u>938,593</u>
Excess (deficiency) of revenues over (under) expenditures	712,387	(386,760)	(293,000)	(256,793)
<b>Other financing sources (uses):</b>				
Transfers in (note 3)	-	-	-	-
Transfers out (note 3)	(25,000)	-	-	-
Total other financing sources and (uses)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	687,387	(386,760)	(293,000)	(256,793)
Fund balances, beginning of year, as restated (note 13)	<u>8,705,114</u>	<u>(35,751)</u>	<u>-</u>	<u>106,318</u>
Fund balances (deficit), end of year	<u>\$ 9,392,501</u>	<u>(422,511)</u>	<u>(293,000)</u>	<u>(150,475)</u>

See accompanying notes to basic financial statements.

Other Governmental Funds	Totals
593,015	3,828,708
785,256	1,763,196
-	628,028
-	610,251
-	248,089
1,458	19,428
<u>5,411</u>	<u>123,340</u>
<u>1,385,140</u>	<u>7,221,040</u>
735	1,559,956
221,824	1,865,156
704,937	2,915,283
222,562	700,826
<u>265,870</u>	<u>434,773</u>
<u>1,415,928</u>	<u>7,475,994</u>
(30,788)	(254,954)
25,000	25,000
<u>-</u>	<u>(25,000)</u>
<u>25,000</u>	<u>-</u>
(5,788)	(254,954)
<u>491,712</u>	<u>9,267,393</u>
<u><u>485,924</u></u>	<u><u>9,012,439</u></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, 2014

Net change in fund balances - total governmental funds \$ (254,954)

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	1,789,446
Depreciation expense	(1,049,689)

Payments of compensated absences payable and net OPEB obligation are expenditures in the governmental funds, but the expenditure reduces noncurrent liabilities in the statement of net position. This is amount of the total payments on the obligations net of increases. 62,338

Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds. 581,159

Changes in net position of governmental activities \$ 1,128,300

See accompanying notes to basic financial statements.

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

Year Ended June 30, 2014

#### (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 including the Codification of Accounting and Financial Reporting Guidelines.

##### Government-Wide Financial Statements

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

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



CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

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

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

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

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

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

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

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

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days. Sales taxes, property taxes, franchise taxes, gas taxes, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

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

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets 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 services that are financed primarily through tax-generated revenues and not required to be accounted for in another fund.

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

Measure M Fund

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

Proposition 1B-State and Local Partnership Fund

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

Traffic Mitigation Fees Fund

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

(d) Cash and Investments

Investments are reported in the accompanying statement of net position 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 include public domain (infrastructure) general capital assets consisting of roads, streets, sidewalks, medians, and storm drains.

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

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

(f) Due from Other Governments

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

(g) Compensated Absences

Permanent, full-time City employees earn 20 paid leave days a year, which includes vacations and sick time. 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 during the year and within 60 days after year end.

The property tax calendar is as follows:

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

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

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

(j) Use of Estimates

The preparation of financial statements in 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) New Accounting Pronouncements

During the year ended June 30, 2014, the City adopted Statement on Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66 *Technical Corrections*, GASB Statement No. 67 *Financial Reporting for Pension Plans*, and GASB Statement No. 70 *Accounting and Reporting for Non-exchange Financial Guarantees*.

(l) Fund Balance and Spending Policy

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

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

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

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

*Assigned* – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources that are neither restricted or committed. Assignment of resources can be done by the highest level of decision making (City Council Resolution) or by a committee or official designated for that purpose. The City Council has authorized the City Manager to assign fund balance for specific departmental projects.

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

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

(l) Fund Balance (Continued)

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

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

(m) Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet of governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(n) Net Position

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



CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statements of Net position:

Cash and investments	<u>\$9,231,799</u>
----------------------	--------------------

Cash and investments held by the City at June 30, 2014 consisted of the following:

Petty cash	\$ 665
Demand deposits	549,832
State Treasurer's Investment Pool (LAIF)	<u>8,681,302</u>
Total cash and investments held by City	<u>\$9,231,799</u>

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

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)

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

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

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

Investments Authorized by Debt Agreements

As of June 30, 2014, 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.

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 Or Less</u>	<u>13 to 24 Months</u>	<u>25 – 60 Months</u>	<u>More than 60 Months</u>	
State investment pool	<u>\$8,681,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,681,302</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

During the fiscal year ended June 30, 2014, 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 Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
State investment pool	<u>N/A</u>	<u>\$8,681,302</u>	<u>-</u>	<u>-</u>	<u>-</u>

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, 2014, 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.

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

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

##### 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, 2014, the City of Laguna Woods did not have any deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts.

##### Investments in State Investment Pool

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

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, 2014 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Measure M Special Revenue Fund	\$ 419,774 (a)
	Proposition 1B- State and Local Partnership Special Revenue Fund	264,571 (a)
	Traffic Mitigation Fees Special Revenue Fund	110,915 (a)
	Nonmajor Governmental Funds	<u>248,021 (a)</u>
	Total General Fund	<u>1,043,281</u>
	Total Interfund Receivables and Payables	<u>\$1,043,281</u>

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

Interfund Transfers:

Interfund transfers at June 30, 2014 consisted of the following:

	<u>Transfers In:</u> Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>Transfers Out:</u> General Fund	<u>\$25,000</u>	<u>25,000</u>

Transfers from the General Fund to the Senior Mobility Nonmajor Special Revenue Fund were budgeted transfers to fund program activities.

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

(4) Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Governmental activities:				
Capital assets not being depreciated:				
Land*	\$6,916,750	-	-	<u>6,916,750</u>
Capital assets being depreciated:				
Building	2,563,250	-	-	2,563,250
Building improvements	736,647	-	-	736,647
Furniture and equipment	205,442	-	-	205,442
Infrastructure	<u>17,503,282</u>	<u>1,789,446</u>	-	<u>19,292,728</u>
Total capital assets being depreciated	<u>21,008,621</u>	<u>1,789,446</u>	-	<u>22,798,067</u>
Less accumulated depreciation for:				
Building	(219,708)	(73,236)	-	(292,944)
Building improvements	(709,298)	(5,470)	-	(714,768)
Furniture and equipment	(182,502)	(6,348)	-	(188,850)
Infrastructure	<u>(4,339,603)</u>	<u>(964,636)</u>	-	<u>(5,304,239)</u>
Total accumulated depreciation	<u>(5,451,111)</u>	<u>(1,049,690)</u>	-	<u>(6,500,801)</u>
Total capital assets being depreciated, net	<u>15,557,510</u>	<u>739,756</u>	-	<u>16,297,266</u>
Total capital assets, net of accumulated depreciation	<u>\$22,474,260</u>	<u>739,756</u>	<u>-</u>	<u>23,214,016</u>

Depreciation expense was charged to functions as follows:

General government	\$ 85,054
Public works	<u>964,636</u>
Total	<u>\$1,049,690</u>

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Construction commitments:		
Moulton Smart Street Project-landscape architect	\$277,090	\$25,488
City Hall-architect	\$79,640	\$5,985

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, 2014 were as follows:

	Balance at June 30, 2013 as Restated	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Governmental Activities:					
Compensated absences	\$171,708	88,412	(160,858)	99,262	32,685
Net OPEB Obligation	<u>59,532</u>	<u>12,579</u>	<u>(2,471)</u>	<u>69,640</u>	<u>2,181</u>
Total Long-Term Liabilities	<u>\$231,240</u>	<u>100,991</u>	<u>(163,329)</u>	<u>168,902</u>	<u>34,866</u>

(6) Other Required Disclosures

The following funds had deficit fund balances as of June 30, 2014:

Major Special Revenue Funds:

Measure M	\$ 417,344 (a)
Proposition 1B-State and Local Partnership	277,527 (a)
Traffic Mitigation Fees	150,475 (a)

Nonmajor Special Revenue Funds:

Senior Mobility	72,362 (b)
Community Development Block Grant	3,634 (b)

(a) The deficit fund balance represents costs incurred for restricted long term capital projects. Such costs were reimbursed by a granting agency in the subsequent period.

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

The following funds had excess of expenditures over appropriations as of June 30, 2014:

	Budget	Actual	Variance Favorable (Unfavorable)
Major Special Revenue Funds:			
Measure M	382,285	682,900	(300,615)
Nonmajor Special Revenue Funds:			
Gas Tax	562,168	565,849	(3,681)
Federal Transportation	-	22,569	(22,569)
Seatbelt Safety	-	2,259	(2,259)

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

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

See the City's Budgetary Policy in Note 1 of the Required Supplementary Information section.

#### (7) Risk Management

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

The City of Laguna Woods is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

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

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

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



## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

#### (7) Risk Management, (Continued)

##### Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million to \$20 million are paid under reinsurance agreements. (7) Costs of covered claims from \$20 million to \$50 million are paid under excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance, subject to the same annual aggregate deductibles previously stated, and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate limit.

##### Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to payroll and the weight applied to losses within the formula.

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

(7) Risk Management, (Continued)

(2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

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

(c) Purchased Insurance

Property Insurance

The City of Laguna Woods participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Laguna Woods property is currently insured according to a schedule of covered property submitted by the City of Laguna Woods to the Authority. City of Laguna Woods property currently has all-risk property insurance protection in the amount of \$4,217,366. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Laguna Woods purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Laguna Woods property currently has earthquake protection in the amount of \$4,189,788. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

(d) Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-14.

## CITY OF LAGUNA WOODS

### Notes to Basic Financial Statements

(Continued)

(7) Risk Management, (Continued)

There were no significant claims payable at June 30, 2014 and at June 30, 2013.

(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, 1 Fire Authority Road, Irvine, CA 92602.

(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.

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan

Funding Policy

Participants hired prior to January 1, 2013 are required to contribute 7% of their annual covered salary. Prior to September 22, 2012, the City made the contribution required of these employees on their behalf and for their account. Effective September 22, 2012, Council approved a resolution that require these employees to pay their 7% employee contribution. Benefit provisions and all other requirements are established by state statute and city contract.

The Public Employee Pension Reform Act of 2013 (PEPRA) made changes to the public employee pension retirement law, with a goal of reducing pension costs, and was put into effect January 1, 2013. The changes keep the current member (Classic Members) required pension contribution rate at 7% but change the retirement formula for employees hired on or after January 1, 2013 (New Members). The current required member contribution rate for “New Members” is 6.75%.

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 adjustment for the cumulative difference between the Annual Pension Cost (APC) and the employer’s actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The Annual Required Contribution (ARC) for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as June 30, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014.

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>	<u>Tier</u>
6/30/12	10.896%	81,079	100%	-0-	
6/30/13	11.078%	83,810	100%	-0-	Classic
6/30/13	6.550%	2,102	100%	-0-	New
6/30/14	11.639%	81,369	100%	-0-	Classic
6/30/14	6.550%	7,239	100%	-0-	New

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

(10) Other Post Employment Benefits (OPEB)

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

*Eligibility:* Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), are eligible for a PERS pension and have worked for the City for a minimum of 10 years. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 5 eligible active employees and 2 enrolled eligible retirees at June 30, 2014. These amounts do not reflect current retirees not enrolled in the PERS health plan who are eligible to enroll in the plan at a later date.

*City's Funding Policy:* The contribution requirements of plan members and the City are established and may be amended by the City and the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2014, the City contributed \$2,471 to the plan.

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

The Annual Required Contribution (ARC) for the fiscal year ended June 30, 2014, was \$15,372. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$ 15,372
Interest on net OPEB obligation	1,786
Adjustments to annual required contributions	<u>(4,579)</u>
Annual OPEB cost (expense)	12,579
Contributions made (including premiums paid)	<u>(2,471)</u>
Increase in net OPEB obligation	10,108
Net OPEB obligation-beginning of year	<u>59,532</u>
Net OPEB obligation-end of year	<u>\$ 69,640</u>

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

(10) Other Post Employment Benefits (OPEB), (continued)

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

<u>Fiscal Year</u>	<u>Actual Contributions</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 0	\$15,496	0%	\$ 47,567
6/30/13	673	12,638	5.35%	59,532
6/30/14	2,471	12,579	19.64%	69,640

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

Actuarial accrued liability (AAL)	\$106,255
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$106,255</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	<u>\$559,977</u>
UAAL as a percentage of covered payroll	<u>19.0</u> %

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

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

(10) Other Post Employment Benefits (OPEB), (continued)

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

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a-b)/c)
6/30/10	\$ -	\$ 86,724	\$ 86,724	0%	\$516,518	16.8%
6/30/13	\$ -	\$106,225	\$106,225	0%	\$559,977	19.0%

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

Non-spendable, restricted, committed, and assigned fund balance segregate portions of fund balance that are not available expendable resources. See the governmental fund balance sheet as of June 30, 2014 for the various classifications of fund balance.

CITY OF LAGUNA WOODS

Notes to Basic Financial Statements

(Continued)

(12) Contingencies

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

(13) Restatement of Net Position and Fund Balance

The accompanying financial statements include adjustments that resulted in the restatements of beginning fund balances/net position. The following summarizes the effect of the prior period adjustments to beginning fund balance and net position as of July 1, 2013:

	Traffic Mitigation Fees Special Revenue <u>Fund</u>	Measure M Special Revenue <u>Fund</u>	Nonmajor Gas Tax Special Revenue <u>Fund</u>	Nonmajor Prop 1B Special Revenue <u>Funds</u>
Fund balance-beginning of year, as previously reported	\$ 50,879	(192,841)	368,281	151,342
To adjust for revenues previously recorded in wrong fund.		157,090		(157,090)
To adjust for accounts payable not reversed in prior years.	55,439			5,748
To adjust for accounts receivable not reversed in prior years.	<u>-</u>	<u>-</u>	<u>(72,414)</u>	<u>-</u>
Fund balance-beginning of year, as restated	<u>\$106,318</u>	<u>(35,751)</u>	<u>295,867</u>	<u>-</u>



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

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

The following summarizes the effect of the prior period adjustments to beginning net position as of July 1, 2013:

	<u>Government-Wide Statement of Net Position</u>
Net Position-beginning of year, as previously reported	\$ 31,581,171
To adjust for accounts payable not reversed in prior years	61,187
To adjust for accounts receivable not reversed in prior years	(72,414)
To record OPEB liability not previously reported	<u>(59,532)</u>
Net Position-beginning of year, as restated	<u>\$ 31,510,412</u>

(14) Subsequent Events

Management has evaluated subsequent events through February 27, 2015, 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 FUNDS**

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:

### Measure M Fund

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

### Proposition 1B-State and Local Partnership Program Fund

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

### Traffic Mitigation Fees Fund

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

CITY OF LAGUNA WOODS  
 General Fund  
 Budgetary Comparison Schedule  
 Year ended June 30, 2014

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Property tax	\$ 256,900	256,900	289,175	32,275
Property tax in lieu	1,876,100	1,876,100	1,738,596	(137,504)
Franchise fees	649,000	649,000	628,028	(20,972)
Sales tax	655,000	655,000	764,561	109,561
Transient occupancy tax	407,400	407,400	443,361	35,961
Development processing fees	460,300	460,300	610,251	149,951
Fines and forfeitures	193,500	193,500	248,089	54,589
Investment income	19,600	19,600	17,970	(1,630)
Miscellaneous	161,700	161,700	117,929	(43,771)
<b>Total revenues</b>	<u>4,679,500</u>	<u>4,679,500</u>	<u>4,857,960</u>	<u>178,460</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,845,779	3,089,264	1,559,221	1,530,043
Public safety	1,701,673	1,701,673	1,643,332	58,341
Public works	244,617	244,617	295,853	(51,236)
Community development	343,809	343,809	478,264	(134,455)
Community services	188,535	188,535	168,903	19,632
<b>Total expenditures</b>	<u>4,324,413</u>	<u>5,567,898</u>	<u>4,145,573</u>	<u>1,422,325</u>
Excess (deficiency) of revenues over expenditures	<u>355,087</u>	<u>(888,398)</u>	<u>712,387</u>	<u>1,600,785</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>330,087</u>	<u>(913,398)</u>	<u>687,387</u>	<u>1,600,785</u>
Fund balance, beginning	<u>8,705,114</u>	<u>8,705,114</u>	<u>8,705,114</u>	<u>-</u>
<b>Fund balance, ending</b>	<u>\$ 9,035,201</u>	<u>7,791,716</u>	<u>9,392,501</u>	<u>1,600,785</u>

CITY OF LAGUNA WOODS  
Measure M  
Budgetary Comparison Schedule  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 207,000	207,000	296,140	89,140
Total revenues	<u>207,000</u>	<u>207,000</u>	<u>296,140</u>	<u>89,140</u>
Expenditures:				
Public works	207,016	382,285	682,900	(300,615)
Total expenditures	<u>207,016</u>	<u>382,285</u>	<u>682,900</u>	<u>(300,615)</u>
Net change in fund balance	(16)	(175,285)	(386,760)	(211,475)
Fund balance, beginning	<u>(35,751)</u>	<u>(35,751)</u>	<u>(35,751)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (35,767)</u>	<u>(211,036)</u>	<u>(422,511)</u>	<u>(211,475)</u>

CITY OF LAGUNA WOODS  
Proposition 1B-State and Local Partnership Program  
Budgetary Comparison Schedule  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 293,000	293,000	-	(293,000)
Total revenues	<u>293,000</u>	<u>293,000</u>	<u>-</u>	<u>(293,000)</u>
Expenditures:				
Public works	<u>117,731</u>	<u>293,000</u>	<u>293,000</u>	<u>-</u>
Total expenditures	<u>117,731</u>	<u>293,000</u>	<u>293,000</u>	<u>-</u>
Net change in fund balance	175,269	-	(293,000)	(293,000)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 175,269</u>	<u>-</u>	<u>(293,000)</u>	<u>(293,000)</u>

CITY OF LAGUNA WOODS  
Traffic Mitigation Fees  
Budgetary Comparison Schedule  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variances with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 175,000	175,000	681,800	506,800
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>681,800</u>	<u>506,800</u>
Expenditures:				
Public works	<u>175,000</u>	<u>1,231,721</u>	<u>938,593</u>	<u>293,128</u>
Total expenditures	<u>175,000</u>	<u>1,231,721</u>	<u>938,593</u>	<u>293,128</u>
Net change in fund balance	-	(1,056,721)	(256,793)	799,928
Fund balance, beginning	<u>106,318</u>	<u>106,318</u>	<u>106,318</u>	-
Fund balance, ending	<u>\$ 106,318</u>	<u>(950,403)</u>	<u>(150,475)</u>	<u>799,928</u>

CITY OF LAGUNA WOODS  
 Required Supplementary Information - Unaudited  
 Summary of Other Post Employment Benefits Funding Progress  
 Year ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability (AVA)	Funded Ratios (AVA)	Annual Covered Payroll	UL as a % of Payroll
June 30, 2010	\$ -	\$ 86,724	\$ 86,724	0%	\$ 516,518	16.8%
June 30, 2013	\$ -	\$ 106,255	\$ 106,255	0%	\$ 559,977	19.0%

See Note 10 to the basic financial statements for OPEB policies, and actuarial assumptions and methods.



## CITY OF LAGUNA WOODS

### Notes to the Required Supplementary Information

June 30, 2014

#### (1) Budgetary Policy

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

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

Appropriations lapse at the end of the fiscal year except that (1) unexpended appropriations in the operating budget will be encumbered as necessary to underwrite the expenditure of outstanding purchase commitments, and (2) unexpended appropriations for capital projects as approved by the City Council will be carried forward to the next succeeding budget upon approval of the City Manager. 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 two supplemental appropriations approved by the City Council totaling \$69,000, and capital project budget carryovers totaling \$2,720,744.

**SUPPLEMENTARY SCHEDULES**

## NON-MAJOR SPECIAL REVENUE FUNDS

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

### 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 2103, 2105, 2106, 2107 and 2107.5 which are legally restricted for the acquisition, construction, improvement and maintenance of public streets.

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.

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.

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.

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.

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

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.

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

CITY OF LAGUNA WOODS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2014

	<u>Gas Tax</u>	<u>Federal Transportation</u>	<u>Supplemental Law Enforcement</u>
<u>Assets</u>			
Cash and investments	\$ 436,830	-	9,181
Receivables:			
Accounts receivable	-	-	-
Due from other governments	95	-	-
Total assets	<u>\$ 436,925</u>	<u>-</u>	<u>9,181</u>
 <u>Liabilities</u>			
Due to other governments/accounts payable	\$ 79,317	-	-
Due to other funds	33,642	-	-
Total liabilities	<u>112,959</u>	<u>-</u>	<u>-</u>
 <u>Deferred in-flows of resources</u>			
Unavailable revenue	-	-	-
Total deferred in-flows of resources	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Fund balances (deficits)</u>			
Restricted for:			
Public works	323,966	-	-
Community development	-	-	-
Public safety	-	-	9,181
Unassigned	-	-	-
Total fund balances (deficits)	<u>323,966</u>	<u>-</u>	<u>9,181</u>
Total liabilities, deferred in flows and fund balances	<u>\$ 436,925</u>	<u>-</u>	<u>9,181</u>

Seatbelt Safety Enforcement	Senior Mobility	Emergency Management	Air Quality Improvement	CDBG	Grants	Totals
1,504	-	17,226	66,960	-	229,604	761,305
-	13,340	-	5,316	-	5,000	23,656
-	52,385	-	22	-	51,381	103,883
<u>1,504</u>	<u>65,725</u>	<u>17,226</u>	<u>72,298</u>	<u>-</u>	<u>285,985</u>	<u>888,844</u>
-	21,252	-	-	-	1,945	102,514
-	64,450	-	-	3,634	146,295	248,021
-	<u>85,702</u>	-	-	<u>3,634</u>	<u>148,240</u>	<u>350,535</u>
-	52,385	-	-	-	-	52,385
-	<u>52,385</u>	-	-	-	-	<u>52,385</u>
-	-	-	-	-	137,745	461,711
-	-	-	72,298	-	-	72,298
1,504	-	17,226	-	-	-	27,911
-	(72,362)	-	-	(3,634)	-	(75,996)
<u>1,504</u>	<u>(72,362)</u>	<u>17,226</u>	<u>72,298</u>	<u>(3,634)</u>	<u>137,745</u>	<u>485,924</u>
<u>1,504</u>	<u>65,725</u>	<u>17,226</u>	<u>72,298</u>	<u>-</u>	<u>285,985</u>	<u>888,844</u>

CITY OF LAGUNA WOODS  
Non-major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2014

	Gas Tax	Federal Transportation	Supplemental Law Enforcement
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Taxes	\$ 593,015	-	-
Intergovernmental	-	22,359	105,816
Investment income	933	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>593,948</u>	<u>22,359</u>	<u>105,816</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	96,620
Public works	565,849	22,569	-
Community development	-	-	-
Community services	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>565,849</u>	<u>22,569</u>	<u>96,620</u>
Excess (deficiency) of revenues over (under) expenditures	28,099	(210)	9,196
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	28,099	(210)	9,196
Fund balances, beginning of year, as restated (note 13)	<u>295,867</u>	<u>210</u>	<u>(15)</u>
Fund balances (deficit), end of year	<u><u>\$ 323,966</u></u>	<u><u>-</u></u>	<u><u>9,181</u></u>

<u>Seatbelt Safety Enforcement</u>	<u>Senior Mobility</u>	<u>Emergency Management</u>	<u>Air Quality Improvement</u>	<u>CDBG</u>	<u>Grants</u>	<u>Totals</u>
-	-	-	-	-	-	593,015
-	232,371	1,635	25,432	263,703	133,940	785,256
-	-	-	76	-	449	1,458
-	<u>2,559</u>	-	-	-	<u>2,852</u>	<u>5,411</u>
-	<u>234,930</u>	<u>1,635</u>	<u>25,508</u>	<u>263,703</u>	<u>137,241</u>	<u>1,385,140</u>
-	-	-	-	-	735	735
2,259	-	-	-	-	122,945	221,824
-	-	-	-	-	116,519	704,937
-	-	-	-	222,532	30	222,562
-	<u>256,514</u>	-	-	-	<u>9,356</u>	<u>265,870</u>
<u>2,259</u>	<u>256,514</u>	-	-	<u>222,532</u>	<u>249,585</u>	<u>1,415,928</u>
(2,259)	(21,584)	1,635	25,508	41,171	(112,344)	(30,788)
-	<u>25,000</u>	-	-	-	-	<u>25,000</u>
-	<u>25,000</u>	-	-	-	-	<u>25,000</u>
(2,259)	3,416	1,635	25,508	41,171	(112,344)	(5,788)
<u>3,763</u>	<u>(75,778)</u>	<u>15,591</u>	<u>46,790</u>	<u>(44,805)</u>	<u>250,089</u>	<u>491,712</u>
<u>1,504</u>	<u>(72,362)</u>	<u>17,226</u>	<u>72,298</u>	<u>(3,634)</u>	<u>137,745</u>	<u>485,924</u>

CITY OF LAGUNA WOODS  
Gas Tax  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year ended June 30, 2014

	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 523,200	593,015	69,815
Investment income	-	933	933
Total revenues	523,200	593,948	70,748
Expenditures:			
Current:			
General government	-	-	-
Public works	562,168	565,849	(3,681)
Total expenditures	562,168	565,849	(3,681)
Net change in fund balance	(38,968)	28,099	67,067
Fund balance, beginning	295,867	295,867	-
Fund balance, ending	\$ 256,899	323,966	67,067



CITY OF LAGUNA WOODS  
 Federal Transportation Fund  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year ended June 30, 2014

	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	22,359	22,359
Investment income	-	-	-
	-	-	-
Total revenues	-	22,359	22,359
Expenditures:			
Current:			
Public works	-	22,569	(22,569)
	-	22,569	(22,569)
Total expenditures	-	22,569	(22,569)
Net change in fund balance	-	(210)	(210)
Fund balance, beginning	210	210	-
Fund balance, ending	\$ 210	-	(210)

CITY OF LAGUNA WOODS  
Supplemental Law Enforcement  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 100,000	105,816	5,816
Investment income	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>100,000</u>	<u>105,816</u>	<u>5,816</u>
Expenditures:			
Public Safety	<u>100,000</u>	<u>96,620</u>	<u>3,380</u>
Total expenditures	<u>100,000</u>	<u>96,620</u>	<u>3,380</u>
Net change in fund balance	-	9,196	9,196
Fund balance, beginning	<u>(15)</u>	<u>(15)</u>	<u>-</u>
Fund balance, ending	<u>\$ (15)</u>	<u>9,181</u>	<u>9,196</u>

CITY OF LAGUNA WOODS  
 Seatbelt Safety Enforcement  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year ended June 30, 2014

	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ -	-	-
Total revenues	-	-	-
Expenditures:			
Current:			
Public Safety	-	2,259	(2,259)
Total expenditures	-	2,259	(2,259)
Net change in fund balance	-	(2,259)	(2,259)
Fund balance, beginning	3,763	3,763	-
Fund balance (deficit), ending	<u>\$ 3,763</u>	<u>1,504</u>	<u>(2,259)</u>

CITY OF LAGUNA WOODS  
Senior Mobility  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year ended June 30, 2014

	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 259,800	232,371	(27,429)
Miscellaneous	-	2,559	2,559
Total revenues	259,800	234,930	(24,870)
Expenditures:			
Current:			
Community services	268,534	256,514	12,020
Total expenditures	268,534	256,514	12,020
Excess (deficiency) of revenues over (under) expenditures	(8,734)	(21,584)	(12,850)
Other financing sources (uses):			
Transfers in	25,000	25,000	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	16,266	3,416	(12,850)
Fund balance, beginning	(75,778)	(75,778)	-
Fund balance (deficit), ending	\$ (59,512)	(72,362)	(12,850)

CITY OF LAGUNA WOODS  
 Emergency Management  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	1,635	1,635
Total revenues	<u>-</u>	<u>1,635</u>	<u>1,635</u>
Expenditures:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	1,635	1,635
Fund balance, beginning	<u>15,591</u>	<u>15,591</u>	<u>-</u>
Fund balance, ending	<u>\$ 15,591</u>	<u>17,226</u>	<u>1,635</u>

CITY OF LAGUNA WOODS  
 Air Quality Improvement  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 19,700	25,432	5,732
Investment income	<u>          -</u>	<u>          76</u>	<u>          76</u>
Total revenues	<u>19,700</u>	<u>25,508</u>	<u>5,808</u>
Expenditures:			
General government	<u>          -</u>	<u>          -</u>	<u>          -</u>
Net change in fund balance	19,700	25,508	5,808
Fund balance, beginning	<u>46,790</u>	<u>46,790</u>	<u>          -</u>
Fund balance, ending	<u><u>\$ 66,490</u></u>	<u><u>72,298</u></u>	<u><u>5,808</u></u>

CITY OF LAGUNA WOODS  
 Community Development Block Grant  
 Non-Major Special Revenue Fund  
 Budgetary Comparison Schedule  
 Year ended June 30, 2014

	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 135,000	263,703	128,703
Total revenues	<u>135,000</u>	<u>263,703</u>	<u>128,703</u>
Expenditures:			
Community development	<u>235,000</u>	<u>222,532</u>	<u>12,468</u>
Total expenditures	<u>235,000</u>	<u>222,532</u>	<u>12,468</u>
Net change in fund balance	<u>(100,000)</u>	<u>41,171</u>	<u>141,171</u>
Fund balance, beginning	<u>(44,805)</u>	<u>(44,805)</u>	<u>-</u>
Fund balance, ending	<u><u>\$ (144,805)</u></u>	<u><u>(3,634)</u></u>	<u><u>141,171</u></u>

CITY OF LAGUNA WOODS  
Grants  
Non-Major Special Revenue Fund  
Budgetary Comparison Schedule  
Year ended June 30, 2014

	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 645,467	133,940	(511,527)
Investment income	-	449	449
Miscellaneous	-	2,852	2,852
 Total revenues	 <u>645,467</u>	 <u>137,241</u>	 <u>(508,226)</u>
Expenditures:			
General government	-	735	(735)
Public safety	206,327	122,945	83,382
Public works	33,022	116,519	(83,497)
Community development	-	30	(30)
Community services	440,143	9,356	430,787
 Total expenditures	 <u>679,492</u>	 <u>249,585</u>	 <u>429,907</u>
 Net change in fund balance	 (34,025)	 (112,344)	 (78,319)
 Fund balance, beginning	 <u>250,089</u>	 <u>250,089</u>	 <u>-</u>
 Fund balance (deficit), ending	 <u>\$ 216,064</u>	 <u>137,745</u>	 <u>(78,319)</u>