

City of Laguna Woods, California

Annual Comprehensive Financial Report with Report on Audit by Independent Auditors

Fiscal Year Ended June 30, 2021
(Fiscal Year 2020-21)

Prepared by:

Administrative Services Department

Elizabeth Torres

Administrative Services Director/City Treasurer



City of Laguna Woods, California

Annual Comprehensive Financial Report with Report on Audit by Independent Auditors

**Fiscal Year Ended June 30, 2021
(Fiscal Year 2020-21)**

Prepared by:

Administrative Services Department

**Elizabeth Torres
Administrative Services Director/City Treasurer**

This page intentionally left blank.

**CITY OF LAGUNA WOODS,
CALIFORNIA
JUNE 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i
Principal City Officials	x
City Organization Chart.....	xi
GFOA Certificate of Achievement for Excellence in Financial Reporting	xii
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Position.....	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position – Governmental Activities.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities – Governmental Activities	24
Notes to Basic Financial Statements.....	25
<u>Required Supplementary Information:</u>	
Schedule of Proportionate Share of the Net Pension Liability/(Asset)	54
Schedule of Contributions – Pension	55
Schedule of Changes in the Net Other Post-Employment Benefit (OPEB) Liability and Related Ratios	56
Schedule of Contributions – OPEB	57
Summary of Major Governmental Funds	58
Budgetary Comparison Schedule – General Fund.....	59
Budgetary Comparison Schedule – Fuel Tax Special Revenue Fund	60
Budgetary Comparison Schedule – Measure M Special Revenue Fund.....	61
Budgetary Comparison Schedule – Grants Special Revenue Fund	62
Note to Required Supplementary Information	63

Supplementary Information

Other Governmental Funds:

Special Revenue Funds	66
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	69
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Road Repair and Accountability Act of 2017 Special Revenue Fund	71
Coastal Area Road Improvements and Traffic Signals Special Revenue Fund	72
Supplemental Law Enforcement Program Special Revenue Fund	73
Air Quality Improvement Special Revenue Fund	74
PEG/Cable Television Special Revenue Fund	75
Senior Mobility Special Revenue Fund	76
Community Development Block Grant Special Revenue Fund	77
Civic Support Special Revenue Fund	78

STATISTICAL SECTION (UNAUDITED)

Description of Statistical Section Contents	82
---	----

Financial Trends:

Net Position by Component – Last Ten Fiscal Years	83
Changes in Net Position – Expenses and Program Revenues – Last Ten Fiscal Years	85
Changes in Net Position – General Revenues – Last Ten Fiscal Years	87
Fund Balances of Governmental Funds – Last Ten Fiscal Years	89
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	91

Revenue Capacity:

Property Tax Dollar Breakdown – Fiscal Year 2020-21	93
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	94
Overlapping Debt – As of June 30, 2012	95
Overlapping Debt – As of June 30, 2021	96
Top Ten Property Taxpayers – Fiscal Year 2011-12	97
Top Ten Property Taxpayers – Fiscal Year 2020-21	98
Property Use Category Summary – Fiscal Year 2020-21	99
Property Tax Levies and Collections – Last Ten Fiscal Years	100
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	102
Top 25 Sales Tax Producers – Fiscal Year 2011-12	103
Top 25 Sales Tax Producers – Fiscal Year 2020-21	104
Taxable Sales by Category – Last Ten Calendar Years	105

Demographic and Economic Information:

Demographic and Economic Statistics – Last Ten Calendar Years.....	107
Principal Employers – Calendar Year 2019 and Nine Years Ago	108
Assessed Value of Taxable Property – Last Ten Fiscal Years	109
Sales Value History – Single Family Residential Full Value Sales – January 1, 2019 through July 31, 2021	111

Operating Information:

Full-Time and Part-Time City Employees by Function – Last Ten Fiscal Years	112
Operating Indicators by Function – Last Ten Fiscal Years	113
Capital Asset Statistics by Function – Last Ten Fiscal Years	114

This page intentionally left blank.

INTRODUCTORY SECTION

This page intentionally left blank.



City of Laguna Woods

24264 El Toro Road
Laguna Woods, CA 92637
Phone (949) 639-0500
TTY (949) 639-0535
Fax (949) 639-0591
www.cityoflagunawoods.org

Shari L. Horne
Mayor

November 19, 2021

Carol Moore
Mayor Pro Tem

Honorable Mayor and Members of the City Council:

Cynthia Conners
Councilmember

It is our privilege to present the City of Laguna Woods' (City) Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021 (Fiscal Year 2020-21). This ACFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and meets state law requirements for the annual publication of audited financial records.

Noel Hatch
Councilmember

Ed H. Tao
Councilmember

This ACFR consists of management's representations concerning the finances of the City. As such, management assumes full responsibility for the completeness and reliability of all information presented. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, and misuse and to compile sufficient reliable information for the preparation of the City's financial statements. The internal control framework is a guide at any given time. As the City's business and operating environments may change over time, management periodically reassesses the internal control framework to identify opportunities to improve its effectiveness. The internal control framework is designed to provide reasonable, rather than absolute, assurance that the City's financial statements will be free of material misstatement. Management believes that, to the best of our knowledge, this ACFR is complete and reliable in all material respects.

Christopher Macon
City Manager

The City's financial statements for Fiscal Year 2020-21 have been independently audited by Brown Armstrong Accountancy Corporation. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this ACFR.

The City, as a recipient of federal financial assistance, including pass-through of federal funding by the State of California, County of Orange, and other agencies, is responsible for compliance with applicable laws and regulations related to those programs. The City's internal control framework, monitored by management, is designed to meet required compliance. The United States Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* establishes a threshold for a required

annual audit (single audit) of those entities receiving federal funding. The City did not meet that threshold and a single audit was not required for Fiscal Year 2020-21.

This transmittal letter is designed to supplement the components of this ACFR, which includes Management's Discussion and Analysis (MD&A), summaries of all financial activity for all funds of the City, and government-wide financial statements. The MD&A provides analysis of trends, fluctuations, variances, and other events or decisions that affect the financial condition of the City. This transmittal letter complements and should be read in conjunction with the MD&A. The MD&A can be found immediately following the independent auditor's report.

Government Profile

The City was incorporated on March 24, 1999 and includes the private gated community of Laguna Woods Village, several senior-oriented residential communities, a number of commercial centers, three public parks, and additional open space areas. The City occupies approximately three square miles of land in Orange County, California and is bordered by the cities of Aliso Viejo, Irvine, Laguna Beach, and Laguna Hills, as well as unincorporated and undeveloped open space owned by the County of Orange and the City of Laguna Beach.

The City of Laguna Woods is a general law city with a Council-Manager form of government, meaning that it operates within the parameters of California municipal law with an elected City Council as its legislative body. The City Council appoints and supervises a City Manager who is responsible for the day-to-day administration of the City and implementation of the City Council's ordinances, regulations, and policy direction. The City Council also appoints a City Attorney to serve as the City's legal counsel.

The five members of the City Council are residents of Laguna Woods who are elected by registered voters to four-year terms. Elections occur "at-large" (citywide) in even-numbered years with two and then three members of the City Council elected at subsequent elections. All five offices are nonpartisan.

The City Council appoints a Mayor and Mayor Pro Tem from amongst its membership to preside over City Council meetings, execute certain legal instruments and authorizations, and attend to various representative and ceremonial matters. The Mayor Pro Tem serves as the Mayor in their absence.

The City operates as a "contract city," partnering with other governmental entities and private firms to provide traditional municipal services. Key contract and franchise services providers for ongoing services in Fiscal Year 2020-21 included:

SERVICE	PROVIDER
Animal Control & Shelter Services	City of Laguna Beach
Building Services	Bureau Veritas North America Willdan Engineering
Engineering Services	CivilSource

SERVICE (continued)	PROVIDER (continued)
Landscape Maintenance Services	BrightView Landscape Services
Law Enforcement Services	Orange County Sheriff's Department
Legal Services	Rutan & Tucker, LLP
Planning Services	Michael Baker International
Solid Waste Handling Services	Waste Management of Orange County
Street & Right-of-Way Maintenance Services	PV Maintenance
Traffic Signal & Lighting Maintenance Services	Siemens Mobility

The City is a member of two joint powers authorities – the California Joint Powers Insurance Authority (CJPIA), which provides insurance and risk management services, and the Orange County Fire Authority (OCFA), which provides fire services. As a “structural fire fund city,” a fire tax is included in Laguna Woods’ 1% basic property tax levy. The County of Orange collects the fire tax, accumulates the proceeds in a structural fire fund, and makes payments to OCFA on the City’s behalf. Fire services are not accounted for in this ACFR because the City is not involved in the levy, collection, or disbursement of the fire tax.

Prior to each fiscal year, the City Council adopts a budget, which serves as the foundation for the City’s financial planning and control. The budget is established at the fund level with the City Manager having the authority to make adjustments within and between departments in the same fund, provided that there are no increases in fund-level budgets. While the City Manager is authorized to decrease fund-level budget appropriations as a method of fiscal control, City Council action is required to increase fund-level budget appropriations.

Economic Considerations

At present, the continuing economic impacts of COVID-19 remain difficult to forecast and are a potentially unstable factor affecting the City’s finances. While the receipt of federal American Rescue Plan Act (Coronavirus Local Fiscal Recovery Funds) monies will offset an as-yet-unknown amount of revenue loss attributable to COVID-19, the length and extent of COVID-19-related economic impacts remains similarly unknown.

The specter of rising inflation and moderation of “sizzling housing price increases” that the California State University, Fullerton’s Woods Center for Economic Analysis and Forecasting terms “unsustainable” are also likely to affect the City’s finances¹. The timing and magnitude of changes in inflation and housing prices may have both positive and negative impacts on primary sources of revenue for the City, as well as broader impacts on consumer sentiment and business activity that ultimately impact additional sources of revenue.

An expanded economic analysis is included in the MD&A component of this ACFR.

¹ Puri, Anil and Farka, Mira, California State University, Fullerton, Woods Center for Economic Analysis and Forecasting, *The Aftermath: Pandemic Blues and Economic Clues: A Post-Pandemic, Post-Election Economic and Real Estate Outlook*. Fullerton, California. April 21, 2021.

California State Auditor's Interactive Dashboard

Since October 2019 (and, beginning with data for Fiscal Year 2016-17), the California State Auditor's Office has maintained an Interactive Dashboard as a part of its High-Risk Local Government Agency Audit Program. The Interactive Dashboard ranks cities based on detailed information about their fiscal health. The rankings are a part of the State Auditor's Office's process for determining whether a city is at risk of fiscal distress.

The most recently released data covers Fiscal Year 2019-20. The City is pleased to note that its rank rose one position from the fiscal year prior, making the City now the 10th lowest risk in the State of California (of 423 cities assessed) with an overall score of 95.74 out of 100 points possible. The City also ranks lowest risk in the Los Angeles Region (of 125 cities assessed) and lowest risk in Orange County (of 34 cities).

In developing the Interactive Dashboard, the State Auditor's Office considers 10 financial indicators that are intended "to assess each city's ability to pay its bills in both the short and long term." The indicators are general fund reserves, debt burden, liquidity, revenue trends, pension obligations, pension funding, pension costs, future pension costs, other post-employment benefits (OPEB) obligations, and OPEB funding.

For more information on the Dashboard, please visit www.auditor.ca.gov.

Significant Financial Concerns

The single greatest threat to the solvency of the City remains the rising cost of law enforcement services. City projections continue to show that law enforcement services costs are increasing at an unsustainable rate in excess of General Fund operating revenue primarily due to labor agreements approved by the Orange County Board of Supervisors, operational decisions made by the Orange County Sheriff's Department, and unfunded pension liabilities associated with the Orange County Employees Retirement System. The Orange County Sheriff's Department's anticipated deployment of body-worn cameras in Fiscal Year 2022-23 is also expected to increase costs. Recent cost increases have totaled 5.78% in Fiscal Year 2018-19, 2.05% in Fiscal Year 2019-20, 3.13% in Fiscal Year 2020-21, and 5.78% in Fiscal Year 2021-22, for a four-year cumulative increase of 11.4% (or, \$314,361) with no change in staffing.

The reality remains that as long as decisionmakers who are not directly accountable to citizens of Laguna Woods (namely, the Orange County Board of Supervisors, Orange County Sheriff's Department, and Orange County Employees Retirement System) drive the vast majority of the City's increasing cost of doing business, financial pressure will continue to grow. Even with excellent fiscal discipline, more efficient internal operations, and a relatively stable revenue base, rising law enforcement services costs are likely to cause the City to experience future imbalance with some manner of significant service level reduction and/or revenue enhancement required. It is a benefit of the City's financial planning that such potential imbalance has been identified in advance, thus providing opportunities for thoughtful and deliberate remedy.

The City's lack of a strong and diversified commercial tax base continues to be of significant concern. Sales tax and transient occupancy tax – which are the City's second and fifth largest sources of operating revenue, respectively – are extremely vulnerable to sudden and significant loss due to an overreliance on a small number of businesses for the majority of revenue. In the case of sales tax, the replacement of previously sales tax-generating businesses with lesser or non-sales tax-generating businesses exacerbates that concern.

Relevant Financial Policies

The City has numerous financial policies to promote the prudent management and safeguarding of its assets, including investment, budgeting, reserves, reporting, payment, purchasing, and procurement policies. During Fiscal Year 2020-21, the City Council approved amendments to the Investment of Financial Assets policy and the Budgeting, Reserves, and Reporting policy. All other financial policies remained unchanged.

The Investment of Financial Assets policy is intended to “assist the City of Laguna Woods with the investment of the City's financial assets in a manner that ensures adequate safety and liquidity, while maximizing yield (return)” and compliance with state law. On May 19, 2021, the policy was amended to authorize the investment of financial assets in medium-term notes; clarify requirements for local government investment pools, joint powers authority pools, and money market mutual funds; and, update several existing definitions and add new definitions.

The Budgeting, Reserves, and Reporting policy is intended to “provide a framework for the development of the City of Laguna Woods' budget, with an emphasis on balance, transparency, fiscal responsibility, and long-term planning, as well as related financial reporting.” On June 2, 2021, the policy was amended to clarify that the City Council may designate any project as a “major capital improvement project,” add a requirement that the City maintain an irrevocable Internal Revenue Code Section 115 trust fund to prefund employer contributions to California Public Employees' Retirement System pension plans, and replace “Comprehensive Annual Financial Report” and the common acronym with “Annual Comprehensive Financial Report” (ACFR).

Long-Term Financial Planning

In recent years, the City has expanded its budget presentation; transitioned from single-year to two-year budgets and work plans; improved the quality and transparency of its annual financial reporting by preparing ACFRs; updated policies and practices pertaining to investment, budgeting, reserves, reporting, purchasing, and procurement; and, undertaken longer-term strategic financial planning. Those efforts and more have resulted in the City receiving the Operating Budget Meritorious Award for Fiscal Year 2019-20 from the California Society of Municipal Finance Officers [the City did not submit its Fiscal Year 2020-21 budget for review by CSMFO, as the two-year budget that was adopted for Fiscal Years 2019-21 was submitted for review in Fiscal Year 2019-20], as well Certificate of Achievement for Excellence in

Financial Reporting for the Comprehensive Annual Financial Report for Fiscal Year 2019-20 from the Government Finance Officers Association.

Budgetary Reserves

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

In addition to committed and assigned reserves, unassigned General Fund balance is available for any governmental purpose and can be appropriated upon direction of the City Council. Use of unassigned General Fund balance is generally limited to one-time projects, capital improvement projects, the payment of long-term liabilities for periods beyond the current fiscal year, and emergency expenditures. At the conclusion of Fiscal Year 2020-21, the City had an unassigned General Fund balance of \$7,109,867, equivalent to approximately 120.1% of all General Fund operating expenses for that same fiscal year.

California Public Employees’ Retirement System

Like many local governments in California, the City contracts with the California Public Employees’ Retirement System (CalPERS) to provide pension benefits for employees. Those plans provide defined benefits to qualified employees based on their number of years of service, age at retirement, and final compensation (average salary for a defined period of employment). Qualified employees hired prior to January 1, 2013, or otherwise eligible in accordance with the Public Employees’ Pension Reform Act of 2013 (PEPRA), are considered “classic” members and are enrolled in a “2% at age 55” plan. Classic members contribute 7% of their annual covered salary with the City contributing 11.579% for Fiscal Year 2020-21 and 11.42% for Fiscal Year 2021-22. Qualified employees hired on or after January 1, 2013, and not considered classic members (new/PEPRA members), are enrolled in a “2% at age 62” plan and contribute a variable percentage of their annual covered salary, in accordance with PEPRA. The new/PEPRA employee contribution rate was 7.50% for Fiscal Years 2020-21 and 2021-22 with the City contributing 7.526% and 7.38%, respectively.

The City is required to make annual contributions to CalPERS that are based on a variety of assumptions including, but not limited to, rates of return on pooled investments managed by CalPERS. The difference between the sum of the City’s accumulated plan assets and the total projected cost of earned pension benefits is referred to as “unfunded accrued liability” (UAL).

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for the fiscal year ended June 30, 2021, significantly above CalPERS' assumed rate of return of 7.0%, but below the fiscal year total fund benchmark of 21.7%. According to CalPERS, "The 2020-21 fiscal year returns brings total fund performance to 10.3% for the five-year period, 8.5% for the 10-year period, and 6.9% for the 20-year period. Over the past 30 years, [CalPERS' Public Employees' Retirement Fund] returned an annualized return of 8.4%."² Under CalPERS' Funding Risk Mitigation Policy, due to the net return, the assumed rate of return will reduce from 7.0% to 6.8% beginning in Fiscal Year 2023-24. That reduction will affect UAL and annual required contribution amounts.

While many other cities struggle with the burden of increased costs of employee pension plans and, in particular, UALs thereof, the City has taken steps to manage its obligations, including through the establishment of a policy of at least biennial consideration of lump sum payments to reduce UAL. In October 2020, the City made lump sum payments to pay off the entirety of its then-calculated UAL (\$29,970). Those UAL payments followed earlier UAL payments in May 2017 (\$483,218), September 2018 (\$137,455), and October 2019 (\$101,092), the cumulative effect of which is estimated to have saved the City \$947,000³, while also mitigating future impacts of reductions in or variances from CalPERS' discount rate such as the reduced assumed rate of return beginning in Fiscal Year 2023-24.

Other Post-Employment Benefits Trust

In Fiscal Year 2015-16, the City established an Other Post-Employment Benefits (OPEB) trust (OPEB Trust) to proactively manage costs and reduce unfunded liabilities associated with the City's statutorily required cost-share of CalPERS health insurance premiums for qualified, retired employees. The OPEB Trust was established with an initial funding level of 80% of the OPEB liability and is reviewed and maintained as stipulated in the City's Budgeting, Reserves, and Reporting Policy, and in accordance with CalPERS guidelines (CalPERS acts as the OPEB Trust Administrator). On June 30, 2020, the City made a lump sum contribution to the OPEB Trust in the amount of \$19,529 in order to return the OPEB liability to an 80% prefunding level as of the most recent actuarial valuation dated June 22, 2020. The next actuarial valuation will be prepared in Fiscal Year 2021-22 for the year ended June 30, 2021 (Fiscal Year 20-21).

Major Initiatives

While COVID-19 has been a challenging and financially uncertain time, the City's services and progress toward implementing the City Council's work plan and initiatives continued. Of particular note, in terms of the City's financial standing, is that the General Fund's fund balance as of June 30, 2021 increased by \$0.1 million from the same point the year prior. The increase

² "CalPERS Reports Preliminary 21.3% Investment Returns for Fiscal Year 2020-21; Strong Returns Trigger Reduction in Discount Rate to 6.8%." *CalPERS*, 12 July 2021, www.calpers.ca.gov/page/newsroom/calpers-news/2021/calpers-strong-preliminary-fiscal-year-investment-return-trigger-discount-rate-reduction.

³ Bartel Associates, LLC. Letter to the City. 15 October 2021.

in the General Fund's fund balance means that even in a global pandemic, the City was able to prudently manage its finances and outperform its adopted budget.

During Fiscal Year 2020-21, the City Council pursued the following priority focus areas, which provided guiding principles and goals for the City's programs, projects, and services:

City Council's Priority Focus Areas

A City that is...



Healthy and safe



High in quality of life



Environmentally conscious



Economically prosperous



Fiscally responsible



Professionally and efficiently served

The priority focus areas were first selected in Fiscal Year 2014-15 and are also being used to frame activities undertaken in Fiscal Year 2021-22.

The City Hall/Public Library Project began in Fiscal Year 2019-20 and is expected to conclude in Fiscal Year 2022-23. The project includes the construction of a new public library and an enhanced outdoor space joining City Hall and the public library. Though the City undertakes numerous capital improvement projects each fiscal year, the City Hall/Public Library Project is unique in terms of its scope and General Fund impact. It is the first new building construction undertaken by the City and one of the largest construction projects of any type undertaken since incorporation. Construction funding is largely drawn from external sources (federal American Rescue Plan Act: \$1,552,044 and a State of California budget appropriation: \$500,000) with additional funding provided by the Capital Projects Fund (\$558,931).

The City will receive \$3,791,657 in federal American Rescue Plan Act monies, which can be

used for a variety of COVID-19-related purposes, including for the provision of government services to the extent of the reduction in revenue due to the COVID-19. With \$1,552,044 allocated for the City Hall/Public Library Project, \$2,239,613 will be available for other use. The allocation of those monies is expected to occur in fiscal years 2021-22 and 2022-23.

Acknowledgments

The City appreciates the services and diligence of the independent auditors, Brown Armstrong Accountancy Corporation.

The City Council's Ad Hoc Audit Committee (Mayor Pro Tem Moore and Councilmember Conners) provided constructive input throughout their work with the independent auditors.

We also appreciate staff's continued efforts to help the City manage its financial future.

Respectfully,



Christopher Macon
City Manager



Elizabeth Torres
Administrative Services Director/City Treasurer

**CITY OF LAGUNA WOODS
PRINCIPAL CITY OFFICIALS
JUNE 30, 2021**

City Officials



Shari L. Horne
Mayor

Carol Moore
Mayor Pro Tem

Cynthia Conners
Councilmember

Noel Hatch
Councilmember

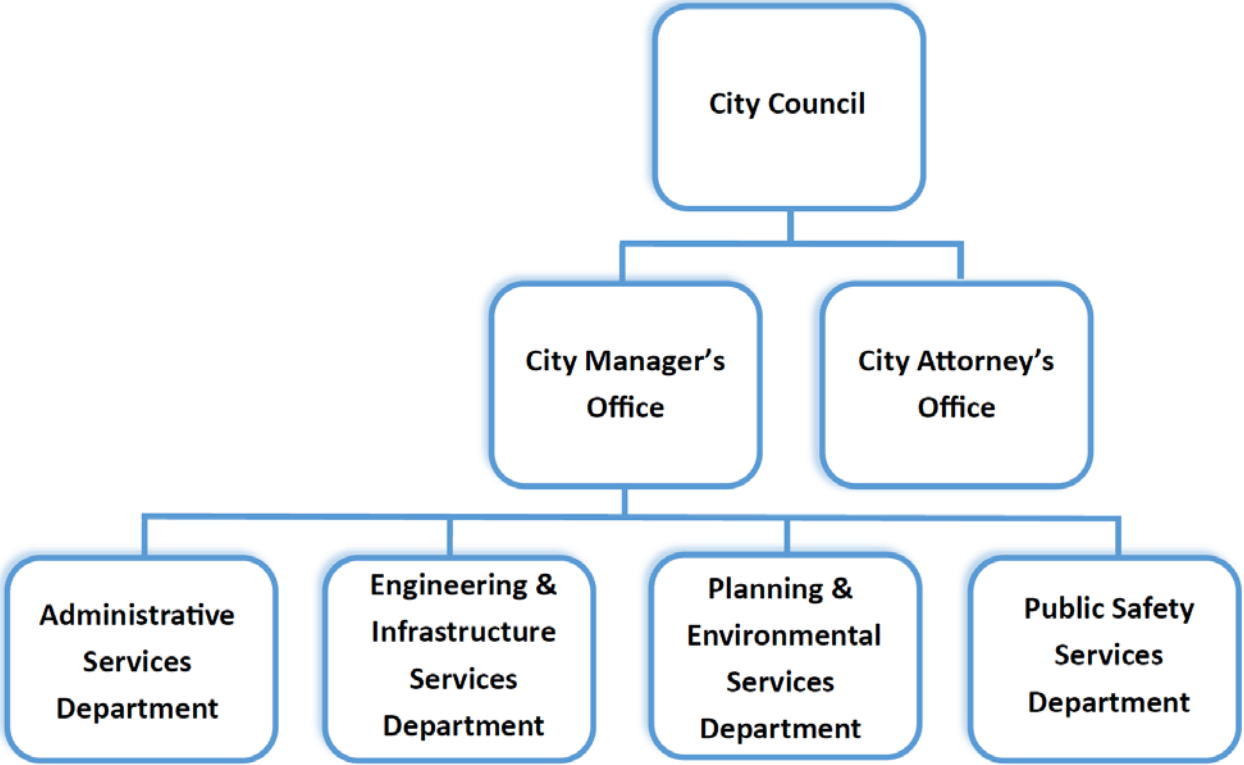
Ed H. Tao
Councilmember

Christopher Macon
City Manager

Alisha Patterson
City Attorney

Elizabeth Torres
Administrative Services Director/City Treasurer

CITY OF LAGUNA WOODS
CITY ORGANIZATION CHART
JUNE 30, 2021





Government Finance Officers Association

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

Presented to

**City of Laguna Woods
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

The Honorable City Council of the
City of Laguna Woods
Laguna Woods, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Woods, California (City), as of and for the fiscal year ended June 30, 2021, 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 of 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the Required Supplementary Information on pages 54 to 63 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 management's discussion and analysis and 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 and schedules 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 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 and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 19, 2021

Management's Discussion and Analysis

This discussion and analysis of the City of Laguna Woods' (the City) financial statements provide an overview of the City's financial activities for the fiscal year ended June 30, 2021 (FY 2020-21). This document should be read in conjunction with the basic financial statements and the accompanying notes to those statements.

FINANCIAL HIGHLIGHTS

- The City ended FY 2020-21 with total assets, including capital assets and deferred outflows of resources, exceeding total liabilities and deferred inflows of resources by \$40.7 million. This amount is referred to as the net position of the City. Of this amount, \$10.4 million is unrestricted net position and may be used to meet the City's ongoing obligations to constituents and creditors. Of the remainder, \$28.9 million represents net investment in capital assets and \$1.5 million is restricted for designated programs.
- The City's government-wide net position decreased by \$1.0 million. This decrease is primarily attributable to a net decrease of \$1.1 million in capital assets due to depreciation of prior years' contributed infrastructure exceeding current year additions, offset by a net increase of \$0.1 million in total revenues. Total revenues from all sources were \$7.9 million and total expenses for all functions and programs (including capital expenses) were \$8.9 million.
- The City's governmental funds reported combined ending fund balances of \$11.7 million, which is \$0.2 million higher than the prior fiscal year.
- The General Fund reported an ending fund balance of \$10.3 million, with revenues exceeding expenditures by \$0.1 million, primarily related to a decrease in general government expenditures.
- The General Fund ending fund balance of \$10.3 million represents 173% of annual General Fund expenditures for FY 2020-21 (versus 172% for the prior fiscal year). The percentage increase is primarily due to a decrease in general government expenditures.
- There was General Fund budgetary savings of \$1.0 million as shown in the Required Supplementary Information, Budgetary Comparison Schedule, General Fund. Budgetary savings do not impact actual activity for reporting revenues, expenditures, and changes to fund balance, but do reflect the City's prudent management of financial resources. FY 2020-21 savings were primarily due to \$0.3 million in revenues received over budgeted amounts and \$0.7 million in expenditures lower than budgeted amounts.
- Increasing law enforcement service costs continue to impact funding, reducing amounts that would otherwise be available for general operations and programs. In FY 2015-16, law enforcement costs increased 63.0% due to modified cost sharing, including the addition of two deputies, related equipment, and one vehicle. 43.3% of the increase was due a change in costing methodology by the Orange County Sheriff Department and the impact of prior fiscal year labor agreements approved by the Orange County Board of Supervisors (Board of Supervisors). Finally, there was an unplanned 1.28% net increase in April 2016 due to additional labor agreements approved by the Board of Supervisors. In FY 2016-17, FY 2017-18, FY 2018-19, and FY 2019-20, law enforcement costs increased an additional 5.72% on July 1, 2016, 1.93% on July 1, 2017, 5.78% on July 1, 2018, 2.05% on July 1, 2019, and 3.13% on July 1, 2020, primarily due to additional labor actions approved by the Board of Supervisors.

OVERVIEW OF THIS REPORT AND THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City's governmental activities include general government, public safety, public works, community development, and community services. Governmental activities are financed by property tax, sales tax, transient occupancy tax, franchise fees, vehicle code fines, fuel tax, funds allocated under the Road Repair and Accountability Act, Measure M tax revenues, and other state and federal funding and grants. The City has no business-type activities.

Reporting the City as a Whole: The Government-Wide Financial Statements, Including the Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of this fiscal year's activities?" The *Government-Wide Financial Statements* provide short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which generally means that they take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-Wide Financial Statements include two statements:

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

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

These statements report that the City's net position decreased during FY 2020-21. The decrease was primarily due to the recording of depreciation of prior years' contributed capital assets.

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

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

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

The Governmental Fund Financial 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 maintains 12 individual governmental funds. The General Fund is the City's primary operating governmental fund. The City also identifies "major" governmental funds within the financial statements. The City's special revenue funds are reviewed annually to determine if any should be classified as a major fund (e.g., the fund has 10% or more of total assets, liabilities, or fund balance of total governmental funds). In FY 2020-21, the City determined and classified the Grants Fund as a major fund. The City may also designate as a major fund any fund or a combination of funds that is considered particularly important to users. In FY 2020-21, the City has designated the Fuel Tax Fund and Measure M Fund as major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds. Data for other governmental funds (nonmajor) are reported collectively as Other Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements that follow the notes to the financial statements. Some funds are required to be established by state law; however, the City establishes additional funds to help control and manage money for specific purposes or to demonstrate compliance with legal requirements for using certain taxes, grants, and other monies. The City currently has only governmental funds.

The City added a special revenue fund in FY 2016-17 to account for the Laguna Woods Civic Support Fund, a blended component unit, formed March 16, 2016, as a nonprofit public benefit corporation, with the specific and primary purpose to raise and distribute funds to support programs, projects, and services of the City as well as to function as a "Friends of the Library" group in support of the Laguna Woods branch of the County of Orange public library system. The Laguna Woods Civic Support Fund began accepting donations supporting the "Friends of the Library" at the end of FY 2017-18 and in FY 2018-19 began accepting donations supporting the City's Dog Park.

The City adopts an annual appropriated budget for the General Fund and the special revenue funds. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with the FY 2020-21 Budget.

Management's discussion and analysis continues on the following page beginning with a comparative table summarizing net position.

THE CITY AS A WHOLE

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

Table 1
Net Position
Governmental Activities

	2021	2020
Assets:		
Cash and investments	\$ 12,492,839	\$ 12,132,290
Other receivables and assets	609,530	697,504
Capital assets, net	28,888,636	29,989,812
Total Assets	41,991,005	42,819,606
Deferred Outflows of Resources:		
Deferred amount from pension plans	179,993	388,365
Deferred amount from OPEB plan	10,906	36,892
Total Deferred Outflows of Resources	190,899	425,257
Liabilities:		
Other liabilities	1,231,572	1,147,156
Long-term liabilities - net pension liability	-	15,529
Long-term liabilities - net OPEB liability	26,561	51,013
Long-term liabilities - compensated absences	103,362	98,376
Total Liabilities	1,361,495	1,312,074
Deferred Inflows of Resources:		
Deferred amount from pension plans	67,272	166,253
Deferred amount from OPEB plans	3,723	597
Total Deferred Inflows of Resources	70,995	166,850
Net Position:		
Net investment in capital assets	28,888,636	29,989,812
Restricted	1,500,199	1,412,618
Unrestricted	10,360,579	10,363,509
Total Net Position	\$ 40,749,414	\$ 41,765,939

Table 2
Changes in Net Position
Governmental Activities

	2021	2020
REVENUES:		
Program Revenues:		
Charges for services	\$ 698,647	\$ 710,475
Operating contributions and grants	678,773	365,823
Capital contributions and grants	441,547	453,524
General Revenues:		
Taxes:		
Property taxes	441,865	391,860
Property taxes in lieu of VLF	2,731,915	2,461,271
Sales taxes	1,010,418	957,549
Transient occupancy taxes	254,371	349,660
Franchise fees	667,091	699,250
Other taxes	662,104	654,199
Miscellaneous	220,715	264,171
Investment income	45,062	369,047
TOTAL REVENUES	7,852,508	7,676,829
EXPENSES:		
Governmental Activities:		
General government	1,494,081	1,545,011
Public safety	3,285,021	2,939,686
Public works	2,702,402	2,721,017
Community development	1,279,526	999,614
Community services	108,003	98,971
TOTAL EXPENSES	8,869,033	8,304,299
Increase (Decrease) in Net Position	(1,016,525)	(627,470)
Net Position, Beginning of Year, as Previously Stated	41,765,939	42,635,081
Prior Period Adjustment	-	(241,672)
Net Position - Beginning of Year, Restated	41,765,939	42,393,409
Net Position, End of Year	<u>\$ 40,749,414</u>	<u>\$ 41,765,939</u>

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

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

- Total assets and deferred outflows of resources in the government-wide financial statements were \$42.0 million as of year-end, a decrease of \$1.1 million (2.46%) over the prior year, which was primarily due to depreciation of capital assets.

- The net investment in capital assets of \$28.9 million represents 70.9% of the City's total net position. The net investment in capital assets (e.g., infrastructure, land, structures and improvements, and furniture and equipment) component of net position consists of capital assets, net of accumulated depreciation, reduced by any related outstanding debt used to acquire, construct, or improve those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending, nor are they sources of income for repayment of debt.
- The City's restricted net position of \$1.5 million, or 3.7% of the total net position, represents resources that are subject to external restriction for designated programs. Unrestricted net position, the part of net position that can be used to finance ongoing obligations, was \$10.4 million at fiscal year-end, a minimal decrease over the prior fiscal year.
- The City's total program and general revenues were \$1.8 million and \$6.1 million, respectively, totaling \$7.9 million, compared to the prior fiscal year total of \$7.7 million, an increase of approximately \$0.2 million (2.3%). The increase is primarily due to the revenue recognition of COVID-19 CARES Act funds received in fiscal years 2019-20 and 2020-21. The total cost of all programs and services was \$8.9 million, an increase from the prior fiscal year of approximately \$0.6 million (6.8%), due primarily to the increase in building and planning services and the impact of COVID-19 expenses.
- Local property tax revenues and property taxes in lieu of State vehicle license fees (VLF) totaled \$3.2 million, and combined, they are the City's largest revenue source at 32.6% of total revenues. These revenues fund a significant portion of the City's basic services. This combined revenue source increased by \$0.3 million in FY 2020-21, or 11.2%.
- Sales taxes of \$1.0 million are the City's second largest revenue source at 10.4% of total revenues. This revenue source remained relatively level with receipts in FY 2019-20, increasing by \$0.05 million or 5.5% compared to the previous fiscal year.

Governmental Activities

Table 3 below presents the cost of each of the City's governmental activity programs: general government, public safety, public works, community development, and community services, as well as each program's net cost (total cost less revenues generated by the activities). The net cost reflects the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,494,081	\$ (1,494,081)	\$ 1,545,011	\$ (1,545,011)
Public safety	3,285,021	(2,777,709)	2,939,686	(2,752,899)
Public works	2,702,402	(2,234,476)	2,721,017	(2,233,358)
Community development	1,279,526	(595,387)	999,614	(323,404)
Community services	108,003	51,587	98,971	80,195
	<u>\$ 8,869,033</u>	<u>\$ (7,050,066)</u>	<u>\$ 8,304,299</u>	<u>\$ (6,774,477)</u>

- General Government expenses of \$1.5 million comprise 16.8% of total cost of services in FY 2020-21, remained level with the prior fiscal year, and include City Council, City Manager, City Clerk, City Attorney, Administrative Services, Support Services, and Risk Management.

- Public Safety expenses of \$3.3 million comprise 37.0% of the total cost of services compared to 35.4% in the prior fiscal year. Revenue from vehicle code fines and state grants, which were level with amounts received in the prior fiscal year, reduced the need for general revenues to support this program in FY 2020-21 by 6.6%. State-funded revenues fluctuate year-over-year based on growth trends in statewide sales tax collections. Public safety expenses were also funded by federal and state funds received to cover for COVID-19 expenses.
- Public Works expenses (primarily for maintenance and operation of the City's roadway system) were \$2.7 million and comprise 30.5% of the total cost of services, compared to 32.8% in the prior fiscal year. Operating and capital contributions and grants were 17.3% of charges in the current fiscal year versus 17.9% in the prior fiscal year. FY 2020-21 expenses included annual depreciation expense on the City's infrastructure assets of \$1.8 million.
- Community Development expenses of \$1.3 million comprise 14.4% of the total cost of services, compared to 12.0% in the prior fiscal year. The increase is primarily due to an increase in building and planning services.
- Community Services expenses of \$0.1 million comprise 1.2% of the total cost of services in FY 2020-21, remained level with the prior fiscal year. Operating contributions and grants, and charges for services related to the Senior Mobility program offset 147.8% of all community services program expenses in FY 2020-21. The offset is due to the decrease in transportation services provided to seniors due to the impact of COVID-19.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the fiscal year-end, the City's Governmental Funds reported combined fund balances of \$11.7 million, an increase of \$0.1 million (1.46%) from the prior fiscal year. The General Fund comprises \$10.3 million, or 87.6%, of the total fund balance. The total fund balance of the City's General Fund equates to over 173.1% of annual General Fund expenditures. The City's General Fund unassigned fund balance of \$7.1 million equates to over 120.1% of annual General Fund expenditures.

The Fuel Tax Special Revenue Fund reported a fund balance of \$310,948, a decrease of \$45,647 from FY 2019-20 due to a capital project being completed in FY 2020-21.

The Measure M Special Revenue Fund reported a fund balance of \$137,831, an increase of \$78,019 compared to the prior fiscal year primarily the result of timing differences on recognizing a reimbursement for expenses incurred in the prior fiscal year.

The Grants Fund Special Revenue Fund reported a deficit fund balance of \$(45,337), a decrease of \$89,404 from FY 2019-20 as a result of timing differences of reimbursements to be received in FY 2021-22 for expenses incurred during the fiscal year.

General Fund Budgetary Highlights

Revenues: Actual total revenues of \$6.0 million were \$0.3 million, or 5.3%, higher than budgeted, primarily because most revenues came in over budget estimates. Property taxes, property transfer taxes, local sales taxes, and transient occupancy taxes were all greater than expected. Miscellaneous revenue came in above budget due to receipt of one-time Rule 20A transfer funds.

Expenditures: Actual expenditures of \$5.9 million were \$0.7 million, or 10.4%, lower than budgeted, primarily due to budget management and changes in programmatic and project needs, as well as budget curtailments made in response to COVID-19.

CAPITAL ASSETS

Capital assets, net of accumulated depreciation, totaled \$28,888,636 at fiscal year-end, primarily consisting of the City's land, building, and infrastructure assets. During FY 2020-21, the City added \$836,979 in value, including a \$465,081 increase in construction in progress, \$362,302 in infrastructure additions, and \$9,596 in furniture and equipment additions. The infrastructure additions relate to a Pavement Management Plan Project in the amount of \$218,289 and \$144,013 for an Americans with Disability Act (ADA) Pedestrian Accessibility Improvement Project. There was a transfer of completed construction projects in the amount of \$1,163,351 to building improvements and infrastructure in the amounts of \$210,343 and \$953,008, respectively. The infrastructure transfer relates to a Water Efficiency Median Improvement Project in the amount of \$339,006 and the completion of the "A Place for Paws" Dog Park in the amount of \$614,002. The transfer to building improvements was for the completion of a City Hall Refurbishment and Safety Project in the amount of \$210,343. The City allocated \$1,938,155 of depreciation expense on capital assets, which increased accumulated depreciation to \$19,302,708 at fiscal year-end. Land and construction in progress are not depreciated. Table 4 below summarizes capital assets at fiscal year-end, net of depreciation.

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

	2021	2020
Land	\$ 6,916,750	\$ 6,916,750
Construction in progress	355,999	1,054,269
Buildings	2,563,250	2,563,250
Building improvements	1,421,938	1,211,595
Equipment and furniture	32,666	23,070
Infrastructure	36,900,741	35,585,431
Less accumulated depreciation	<u>(19,302,708)</u>	<u>(17,364,553)</u>
Total	<u>\$ 28,888,636</u>	<u>\$ 29,989,812</u>

Please refer to Note 1 (G) beginning on page 28 and Note 4 beginning on page 38 for additional discussion related to capital assets.

DEBT ADMINISTRATION

The City currently has no debt obligations.

LONG-TERM LIABILITIES

Compensated absences and the net OPEB obligation are classified as long-term liabilities and totaled \$103,362 and \$26,561, respectively, as of fiscal year-end. The City has assigned General Fund balance to address compensated absence liabilities. The City established an OPEB Trust in 2016 with a planned funding level of 80%, which is reviewed every two years. As of June 30, 2021, the net OPEB obligation was funded at approximately 82.7% through the OPEB Trust. The funding ratio does not consider contributions made after the measurement date.

At June 30, 2021, the City's pension liability resulted in a net pension asset balance of \$18,611. The City's proportionate share of the net pension liability decreased due to the additional contributions the City made in prior fiscal years to pay off the unfunded accrued liability resulting in a net pension asset. The funding ratio does not consider contributions made after the measurement date. During FY 2020-21, the

City established a Pension Prefunding Trust to prefund required pension contributions to the City's defined benefit pension plan. Please refer to Notes 8 and 9 beginning on page 41 and required supplementary information on pages 54-57 for additional discussion related to pension liabilities and OPEB obligations.

ECONOMIC FACTORS

The Fiscal Year 2021-23 Budget took effect with the impacts of COVID-19 appearing to lessen but remaining likely to be felt throughout fiscal years 2021-22 and 2022-23, if not longer. On May 12, 2021, the California Legislative Analyst's Office published a report titled, "An Initial Look at Effects of the COVID-19 Pandemic on Local Government Fiscal Condition,"¹ that characterized the long-term consequences of COVID-19 as "yet to be known. For instance, if there are broad, long-standing changes to where people chose to live and work, the pandemic could, over time, change the key economic drivers of a community. As an example, some employers may continue to provide their employees additional flexibility to work remotely even after the COVID-19 emergency subsides. These changes could affect the value of commercial property and over time lead to deceleration in local government property tax revenue growth. These unknowns create an unprecedented degree of uncertainty about the economic outlook of local governments."

The California Department of Finance (DOF), as part of Governor Newsom's "May Revise" state budget proposal for Fiscal Year 2021-22, wrote that "just over a year after the unprecedented economic losses induced by the COVID-19 Pandemic in March and April 2020, the nation and California have both started on the path to recovery. However, there still is a long way to go to reach pre-pandemic levels." The DOF expected nonfarm employment to recover to a pre-COVID-19 level by mid-2023 with recovery of low-wage employment sectors "expected to lag as these sectors bore the brunt of the recession, accounting for nearly three out of four jobs lost in March and April 2020." Uncertainty surrounding "potentially worsening public health conditions due to COVID-19 variants and vaccine hesitancy and the possibility of a stock market correction" was cited as a continuing budgetary risk.

California State University, Fullerton's Woods Center for Economic Analysis and Forecasting's spring 2021 update to its *Economic Outlook and Forecasts*² anticipated that, within Orange County, "employment in many industries, especially in the leisure and hospitality sector, will achieve prepandemic levels towards the end of 2021 or early 2022, though most other sectors would fully recover only in mid- or late 2022." The Woods Center noted that "the overall outlook of Orange County business executives is very bullish and is buoyed by the increasing likelihood of the control of the virus, the re-opening of the economy and a record high stock market."

The Woods Center's *Economic Outlook and Forecasts* also addressed housing issues, noting an increase in Orange County home prices and growth in new housing permits up 20% over pre-COVID-19 levels. Looking to the future, the Woods Center contended that "the sizzling housing price increases are unsustainable and will moderate as mortgage rates rise. However, in the short run the housing supply will be slow to respond. Given Orange County's sky-rocketing increases during the last ten months, we expect the median price growth to moderate to an annual rate of between 5% and 7% during 2021 and 2022."

In its 2022 *Economic Forecast*³, the Woods Center tempered its enthusiasm, writing that "2021 will turn out to be less robust than what was expected early this spring, dented by Delta, supply-chain constraints and labor shortages. Growth, however, will pick up in 2022 and extend at least through 2023 given current expectations for monetary and fiscal policy actions..."

¹ State of California, Legislative Analyst's Office, *An Initial Look at Effects of the COVID-19 Pandemic on Local Government Fiscal Condition*. Sacramento, California. May 12, 2020.

² Puri, Anil and Farka, Mira, California State University, Fullerton, Woods Center for Economic Analysis and Forecasting, *The Aftermath: Pandemic Blues and Economic Clues: A Post-Pandemic, Post-Election Economic and Real Estate Outlook*. Fullerton, California. April 21, 2021.

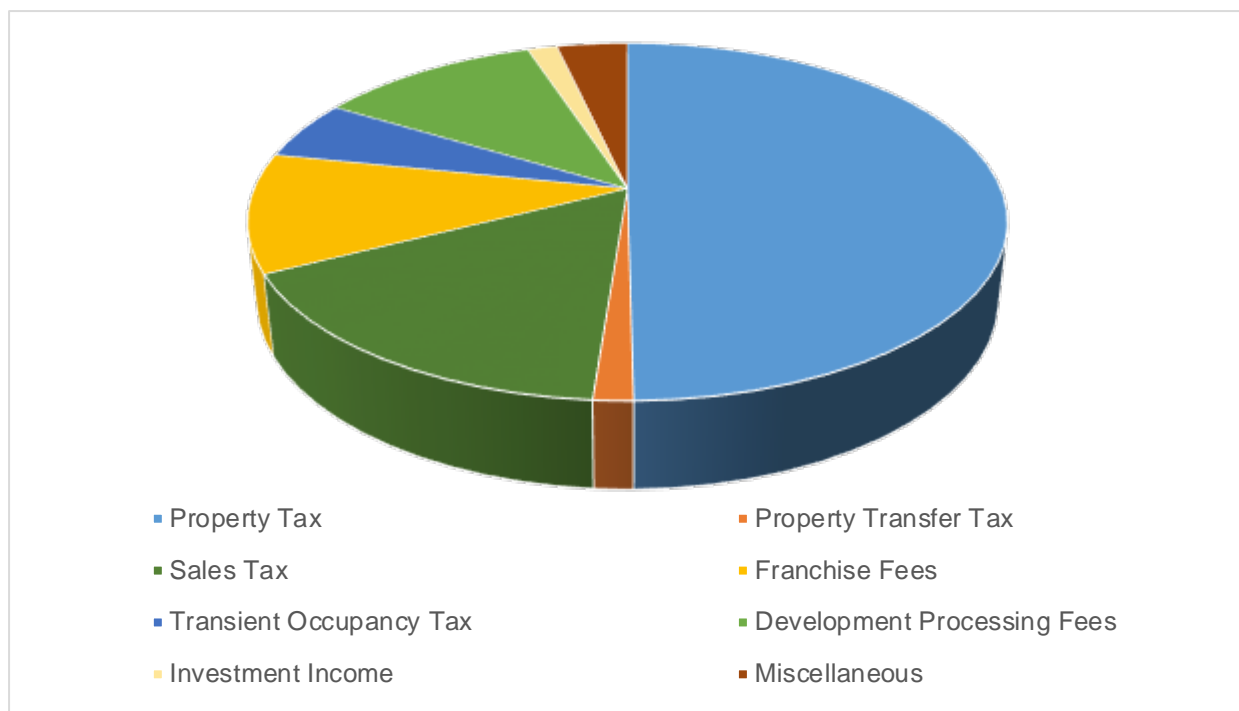
³ Puri, Anil and Farka, Mira, California State University, Fullerton, Woods Center for Economic Analysis and Forecasting, *2022 Economic Outlook and Forecasts: Brave New World: Resiliency, Recovery and Reflation*. Fullerton, California. October 20, 2021.

The *Chapman-CMC Orange County Consumer Sentiment Survey* for the first quarter of the 2021 calendar year⁴ identified a 42% increase in consumer sentiment with growth amongst groups of varying ages, genders, ethnicities, income levels, employment statuses, and political affiliations. Professor Marc Weidenmier of the Argyros School of Business and Economics at Chapman University commented that “It looks like we have turned the corner. It appears that the medical community and vaccinations are getting the upper hand on the coronavirus. The economy is opening up and people are going back to work. The positive trend should continue for the foreseeable future unless we are hit by another wave of the virus.”

The *Chapman-CMC Orange County Consumer Sentiment Survey* for the second quarter of the 2021 calendar year⁵ identified a 9.6% increase in consumer sentiment said to reflect “growing optimism about economic activity that is largely driven by the end of lockdowns and the opening up of the local economy.” Professor Weidenmier commented that “The local and U.S. economy are gaining momentum. But there are a couple of potential problems that could derail the recovery from the pandemic. First and perhaps most important is the recent rise in prices and the specter of higher inflation. Another potential game changer would be another covid outbreak with the delta variant that leads to more lockdowns. Otherwise, consumer sentiment looks strong going forward.”

Total General Fund FY 2021-22 operating revenues (excluding transfers from other funds) are estimated at \$6,257,800. This represents a 3.8% increase from FY 2020-21 actual revenues. General Fund operating expenditures are budgeted at \$6,081,297. After adding one-time nonoperating expenditures and transfers to other funds, total General Fund expenditures equal \$6,432,593. At the end of FY 2021-22, the General Fund unassigned fund balance is forecast to be at least 119.8% of FY 2021-22 General Fund operating expenditures. Budgeted FY 2021-22 General Fund revenues by source and operating expenditures by program are illustrated below and on the following page:

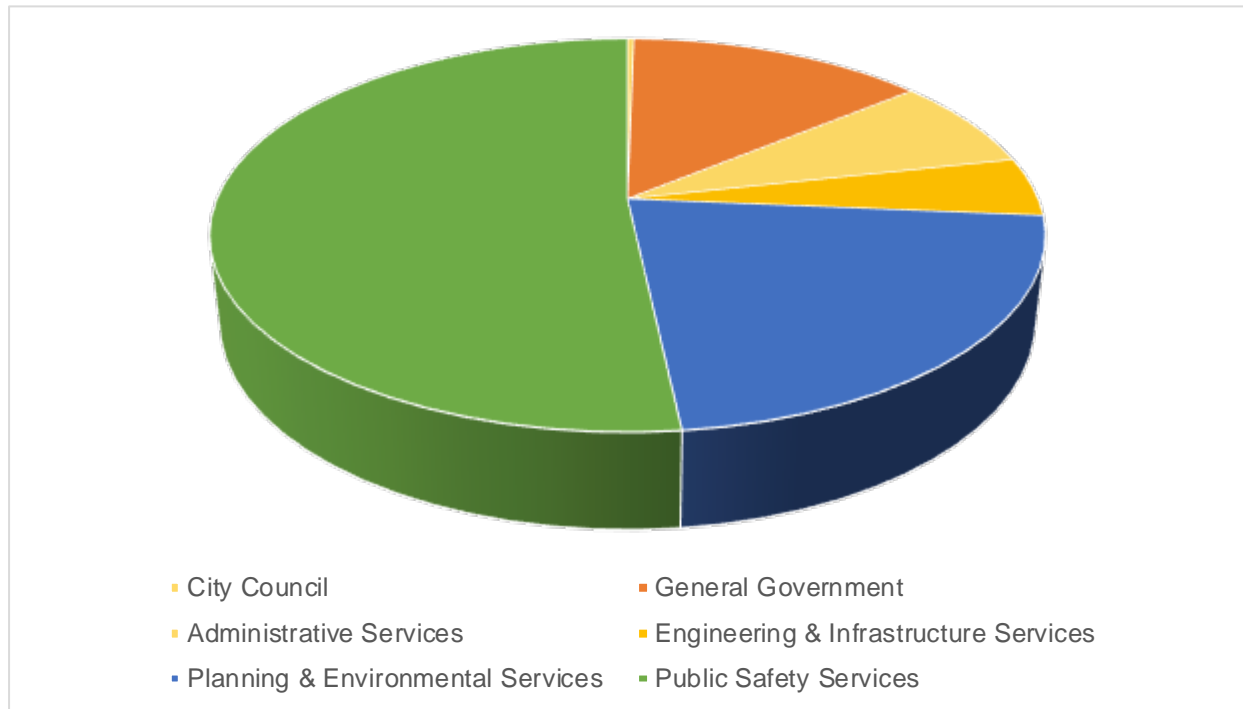
General Fund Revenue Estimates by Source – Fiscal Year 2021-22



⁴ Chapman University, A. Gary Anderson Center for Economic Research and Claremont McKenna College, Lowe Institute of Political Economy. April 9, 2021. *OC Consumer Sentiment Surges More than 40%*. https://www.chapman.edu/research/institutes-and-centers/anderson-center/files/press-releases/oc_cu_claremont-mckenna_2021i.pdf

⁵ Chapman University, A. Gary Anderson Center for Economic Research and Claremont McKenna College, Lowe Institute of Political Economy. August 3, 2021. *OC Consumer Sentiment Jumps almost 10 Percent in Second Quarter*. <https://www.chapman.edu/research/institutes-and-centers/anderson-center/oc-cu-claremont-mckenna-2021ii.pdf>

General Fund Operating Expenditures by Program – Fiscal Year 2021-22



CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank.

**CITY OF LAGUNA WOODS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
Assets	
Cash and Investments	\$ 12,492,839
Accounts Receivable	173,905
Interest Receivable	18,185
Due from Other Governments	386,100
Prepaid Items	12,729
Net Pension Asset	18,611
Capital Assets:	
Not Being Depreciated	7,272,749
Being Depreciated (Net of Accumulated Depreciation)	<u>21,615,887</u>
Total Assets	<u>41,991,005</u>
Deferred Outflows of Resources	
Deferred Amount from Pension Plan	179,993
Deferred Amount from Other Post-Employment Benefits (OPEB) Plan	<u>10,906</u>
Total Deferred Outflows of Resources	<u>190,899</u>
Liabilities	
Accounts Payable	588,620
Accrued Liabilities	38,595
Unearned Revenues	553,583
Deposits Payable	50,774
Noncurrent Liabilities:	
Due Within One Year	
Compensated Absences	74,332
Due in More Than One Year	
Compensated Absences	29,030
Net OPEB Liability	<u>26,561</u>
Total Liabilities	<u>1,361,495</u>
Deferred Inflows of Resources	
Deferred Amount from Pension Plan	67,272
Deferred Amount from Other Post-Employment Benefits (OPEB) Plan	<u>3,723</u>
Total Deferred Inflows of Resources	<u>70,995</u>
Net Position	
Net Investment in Capital Assets	28,888,636
Restricted for:	
Public Safety	10,337
Public Works	1,041,919
Community Development	227,317
Community Services	220,626
Unrestricted	<u>10,360,579</u>
Total Net Position	<u>\$ 40,749,414</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LAGUNA WOODS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 1,494,081	\$ -	\$ -	\$ -	\$ (1,494,081)
Public Safety	3,285,021	-	507,312	-	(2,777,709)
Public Works	2,702,402	-	26,379	441,547	(2,234,476)
Community Development	1,279,526	684,139	-	-	(595,387)
Community Services	108,003	14,508	145,082	-	51,587
Total Governmental Activities	\$ 8,869,033	\$ 698,647	\$ 678,773	\$ 441,547	(7,050,066)
General Revenues:					
Taxes:					
Property Taxes					3,173,780
Sales Taxes					1,010,418
Transient Occupancy Taxes					254,371
Franchise Fees					667,091
Other Taxes					662,104
Miscellaneous					220,715
Investment Income					45,062
Total General Revenues					6,033,541
Change in Net Position					(1,016,525)
Net Position - Beginning of Year					41,765,939
Net Position - End of Year					\$ 40,749,414

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

**CITY OF LAGUNA WOODS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Fuel Tax Special Revenue Fund	Measure M Special Revenue Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Assets:						
Cash and Investments	\$ 10,497,177	\$ 364,572	\$ 120,032	\$ 493,409	\$ 1,017,649	\$ 12,492,839
Receivables:						
Accounts	173,054	-	-	-	851	173,905
Interest	18,185	-	-	-	-	18,185
Prepaid Items	10,019	-	2,710	-	-	12,729
Due from Other Governments	209,984	-	37,403	88,179	50,534	386,100
Total Assets	<u>\$ 10,908,419</u>	<u>\$ 364,572</u>	<u>\$ 160,145</u>	<u>\$ 581,588</u>	<u>\$ 1,069,034</u>	<u>\$ 13,083,758</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 457,228	\$ 53,624	\$ 22,314	\$ 38,746	\$ 16,708	\$ 588,620
Accrued Liabilities	37,712	-	-	-	883	38,595
Unearned Revenue	53,583	-	-	500,000	-	553,583
Deposits Payable	50,774	-	-	-	-	50,774
Total Liabilities	<u>599,297</u>	<u>53,624</u>	<u>22,314</u>	<u>538,746</u>	<u>17,591</u>	<u>1,231,572</u>
Deferred Inflows of Resources:						
Unavailable Revenues	<u>57,649</u>	<u>-</u>	<u>-</u>	<u>88,179</u>	<u>-</u>	<u>145,828</u>
Fund Balances:						
Nonspendable:						
Prepaid Items	10,019	-	2,710	-	-	12,729
Restricted for:						
Public Safety	-	-	-	-	10,337	10,337
Public Works	-	310,948	135,121	-	595,850	1,041,919
Community Development	2,687	-	-	-	224,630	227,317
Community Services	-	-	-	-	220,626	220,626
Assigned to:						
Compensated Absences	103,362	-	-	-	-	103,362
Self-Insurance Contingencies	50,000	-	-	-	-	50,000
General Fund Contingencies	2,975,538	-	-	-	-	2,975,538
Unassigned	<u>7,109,867</u>	<u>-</u>	<u>-</u>	<u>(45,337)</u>	<u>-</u>	<u>7,064,530</u>
Total Fund Balances	<u>10,251,473</u>	<u>310,948</u>	<u>137,831</u>	<u>(45,337)</u>	<u>1,051,443</u>	<u>11,706,358</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,908,419</u>	<u>\$ 364,572</u>	<u>\$ 160,145</u>	<u>\$ 581,588</u>	<u>\$ 1,069,034</u>	<u>\$ 13,083,758</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LAGUNA WOODS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Total Fund Balances - Total Governmental Funds **\$ 11,706,358**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Capital assets	\$ 48,191,344	
Accumulated depreciation	(19,302,708)	
		28,888,636

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. Balances as of June 30, 2021, are:

Compensated absences	(103,362)	
Net pension asset	18,611	
Net OPEB liability	(26,561)	
		(111,312)

Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are only reported in the Statement of Net Position as the changes in these amounts affect only the government-wide financial statements for governmental activities:

Deferred outflows of resources	190,899	
Deferred inflows of resources	(70,995)	
		119,904

Receivables that are not available to pay for current period expenditures are reported as deferred inflows of resources in the governmental fund financial statements.

145,828

Net Position of Governmental Activities

\$ 40,749,414

The accompanying notes are an integral part of these financial statements.

**CITY OF LAGUNA WOODS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Fuel Tax Special Revenue Fund	Measure M Special Revenue Fund	Grants Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes and Assessments	\$ 4,438,569	\$ 362,904	\$ -	\$ -	\$ 299,200	\$ 5,100,673
Intergovernmental	-	-	297,534	316,868	505,918	1,120,320
Franchise Fees	667,091	-	-	-	-	667,091
Charges for Services	682,913	-	-	-	14,508	697,421
Investment Income	23,400	3,973	1,659	5,334	10,695	45,061
Miscellaneous	218,945	-	-	-	1,772	220,717
Total Revenues	6,030,918	366,877	299,193	322,202	832,093	7,851,283
Expenditures:						
Current:						
General Government	1,298,242	-	-	-	-	1,298,242
Public Safety	2,857,749	-	-	269,172	158,100	3,285,021
Public Works	308,354	345,661	221,174	-	-	875,189
Community Development	1,185,731	-	-	93,505	290	1,279,526
Community Services	-	-	-	-	108,003	108,003
Capital Outlay	270,602	66,863	-	35,544	463,970	836,979
Total Expenditures	5,920,678	412,524	221,174	398,221	730,363	7,682,960
Net Change in Fund Balances	110,240	(45,647)	78,019	(76,019)	101,730	168,323
Fund Balances, Beginning	10,127,848	356,595	59,812	44,067	949,713	11,538,035
Prior Period Adjustment	13,385	-	-	(13,385)	-	-
Fund Balances, Restated	10,141,233	356,595	59,812	30,682	949,713	11,538,035
Fund Balances, Ending	\$ 10,251,473	\$ 310,948	\$ 137,831	\$ (45,337)	\$ 1,051,443	\$ 11,706,358

The accompanying notes are an integral part of these financial statements.

**CITY OF LAGUNA WOODS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$ 168,323
---	-------------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. The activity is reconciled as follows:

Capital asset purchases	\$ 836,979	
Depreciation expense	<u>(1,938,155)</u>	
		(1,101,176)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(4,986)	
OPEB expense and related changes in deferred outflows/inflows of resources	(4,660)	
Pension expense and related changes in deferred outflows/inflows of resources	<u>(75,251)</u>	
		(84,897)

Certain revenues in the governmental funds are unavailable revenues because they are not collected within the prescribed time period after year-end. However, the revenues are included in the government-wide financial statements.

	<u>1,225</u>
Change in Net Position of Governmental Activities	<u>\$ (1,016,525)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAGUNA WOODS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Laguna Woods (the City) conform to accounting principles generally accepted in the United States of America 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. Description of the Reporting Entity

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

The Laguna Woods Civic Support Fund (the Fund), a blended component unit, was formed March 16, 2016, as a nonprofit public benefit corporation, with the specific and primary purpose to raise and distribute funds to support programs, projects, and services of the City as well as to function as a “Friends of the Library” group in support of the Laguna Woods branch of the County of Orange’s public library system. Beginning in fiscal year 2018-19, the Fund began raising funds to support the operations and maintenance of the City’s dog park.

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

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

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

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

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements including the *Codification of Accounting and Financial Reporting Guidelines*.

Government-Wide Financial Statements

Government-Wide Financial Statements display information about the City as a whole. These statements include a statement of net position and a statement of activities. They include a single column for the governmental activities of the primary government. The City 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services, special assessments, and payments made by parties outside of the City'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. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expense. 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 City are reported as a reduction of the related liability, rather than as an expense.

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

Governmental Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds (Continued)

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

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent 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 fiscal year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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, which are financed primarily through tax-generated revenues and not required to be accounted for in another fund.
- *Fuel Tax Special Revenue Fund* – The Fuel Tax Fund is used to account for the City’s share of State Highway Users’ Tax (Gasoline) Taxes, Sections 2103, 2105, 2106, 2107, and 2107.5 of the California Streets and Highways Code for the construction, improvement, and maintenance of local streets and roads.
- *Measure M Special Revenue Fund* – The Measure M Fund is used to account for the City’s share of an additional one-half percent sales tax approved by the Orange County electorate and collected by the Orange County Transportation Authority for the improvement and maintenance of local streets and roads.
- *Grants Special Revenue Fund* – The Grants Fund is used to account for revenues received under Federal, State, and local grants.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Inclusion of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Cash and Investments

Investments are reported in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings and changes in fair value. The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the General Fund, as provided by California Government Code Section 53647. See Note 3 for additional information related to Fair Value Measurements of Investments.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the purchases method.

F. Due from Other Governments

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

G. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated acquisition value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more. It is the policy of the City to capitalize infrastructure projects in excess of \$100,000 if they constitute infrastructure and have extended the useful life of the assets by 10 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 buildings, building improvements, equipment and furniture, infrastructure, and intangibles. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

The range of useful lives used for depreciation purposes for each capital asset class is as follows:

<u>Item</u>	<u>Useful Life</u>
Building	40 years
Building improvements	10-40 years
Equipment and furniture	3-10 years
Infrastructure	10-40 years
Intangibles	3-10 years

The costs of normal repair and maintenance that do not add to the value of the asset or extend the useful life of the asset are not capitalized.

H. Compensated Absences

Permanent, full-time, and part-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 fiscal year paid, primarily from the General Fund, and it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources.

I. 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 fiscal year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflow of resources related to pensions and other post-employment benefits (OPEB) for employer contributions made after the measurement date of the net pension asset and net OPEB liability.
- Deferred outflow of resources related to OPEB for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are covered with the benefits of the OPEB plan.
- Deferred outflow of resources from pensions and OPEB resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plan and the OPEB plan.
- Deferred outflow of resources related to pensions for the changes in employer's proportion and differences between employer contributions and the employer proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow of resources from unavailable revenue, which arises only under modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow of resources related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflow of resources from OPEB resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are covered by the benefits of the OPEB plan.
- Deferred inflow of resources related to pensions for the changes in employer's proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflow of resources related to pensions and OPEB resulting from the difference in projected and actual earnings on investments of the pension and OPEB plan's fiduciary net position. These amounts are amortized over five years.

Gains and losses related to changes in total pension or OPEB liability and their related fiduciary net position are recognized in pension or OPEB expense, respectively, systematically over time. Amounts are first recognized in pension or OPEB expense for the fiscal year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension or OPEB and are recognized in future pension and OPEB expense, respectively.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earning on pension or OPEB plan investments	5 years	All plans
All other amounts are amortized over the expected average remaining service lifetime (EARSLS) of the respective plan. As of June 30, 2020, EARSLS were:	8.3 years	OPEB Plan
	3.8 years	Pension Miscellaneous - Cost Sharing Plan

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Pension Asset

For purposes of measuring the net pension asset, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) pension plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 for additional disclosures related to pensions.

L. Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB plan (OPEB Plan), the assets of which are held by the California Employers Retiree Benefit Trust Program (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Fund Balance and Spending Policy

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, or 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.”

O. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

P. 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 recognizes as revenue only those taxes which are received during the fiscal year and within 60 days after fiscal year-end.

The property tax calendar for the City is as follows:

Lien date	January 1
Levy date	July 1
Due dates	First Installment – November 1 Second Installment – February 1
Delinquent dates	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

Q. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Implementation of Accounting Standards

GASB issued the following accounting pronouncements that the City implemented in the current fiscal year:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for periods beginning after December 15, 2019. There was no effect on the City's accounting and financial reporting as a result of implementing this standard.

GASB Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for periods beginning after December 15, 2019. There was no effect on the City's accounting and financial reporting as a result of implementing this standard.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for periods ending after December 15, 2021. The City early implemented this standard.

S. Pending Accounting Standards

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

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for periods beginning after June 15, 2021. The City will implement GASB Statement No. 87 if and where applicable.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for periods beginning after December 15, 2020. The City will implement GASB Statement No. 89 if and where applicable.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for periods beginning after December 15, 2021. The City will implement GASB Statement No. 91 if and where applicable.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement were originally effective for periods beginning after June 15, 2020. GASB Statement No. 95 delayed the effective date to June 15, 2021. The City will implement GASB Statement No. 92 if and where applicable.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement were originally effective for periods beginning after June 15, 2020. GASB Statement No. 95 delayed the effective date to June 15, 2021. The City will implement GASB Statement No. 93 if and where applicable.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for periods beginning after June 15, 2022. The City will implement GASB Statement No. 94 if and where applicable.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for periods beginning after June 15, 2022. The City will implement GASB Statement No. 96 if and where applicable.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for periods beginning after June 15, 2021. The City will implement GASB Statement No. 97 if and where applicable.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances

At June 30, 2021, the Grants Fund had a deficit fund balance of \$(45,337).

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	<u><u>\$ 12,492,839</u></u>

Cash and investments held by the City at June 30, 2021, consisted of the following:

Petty Cash	\$ 1,811
Demand Deposits	604,816
Negotiable Certificates of Deposits	2,020,941
Local Agency Investment Pool (LAIF)	2,685,388
Orange County Investment Pool (OCIP)	<u>7,179,883</u>
Total Cash and Investments Held by City	<u><u>\$ 12,492,839</u></u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances.

Deposits

At June 30, 2021, the carrying amount of the City's deposits was \$606,627 and the bank balance was \$660,668. The \$54,041 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California, as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

NOTE 3 – CASH AND INVESTMENTS (Continued)**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). Investment types authorized by the California Government Code, but not by the City's investment policy, are not presented. The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Type of Investment	Maximum Amount of Portfolio Investment*	Maximum Amount of Individual Investment	Maximum Maturity*
Federal Deposit Insurance Corporation (FDIC) Insured Accounts	100%	-	N/A
Bankers' Acceptances	20% (no more than 5% with one bank)	-	180 days
Commercial Paper	15% (no more than 10% of a single issuer)	-	270 days
Local Government Investment Pools	90%	-	N/A
Money Market Mutual Funds	10%	-	N/A
Certificates of Deposit (Negotiable and Non-Negotiable)	30% (no more than 10% with one bank or single issuer)	\$250,000	5 years
Passbook Savings Demand Deposits	100%	-	3 years
Repurchase Agreements	10% (no more than 20% of a single issuer)	-	30 days
United States Treasury Obligations	90% of overall portfolio for any one investment type (no more than 20% of a single issuer)	-	5 years
United States Agency Obligations		-	5 years
State of California and Other States-Issued Obligations	20% of overall portfolio for any one investment type (no more than 5% of a single issuer)	-	3 years
California Local Government-Issued Municipal Obligations		-	3 years
*Based on state law requirements or investment policy requirements, whichever is more restrictive.			

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Government 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, 2021, the City had no investments from debt proceeds held by bond trustees.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on amortized cost basis. LAIF does not impose limits or restrictions on participant withdrawals, and the entire balance of the City's investment in the portfolio is available for withdrawal at any time. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, the City's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

Investment in Orange County Investment Pool (OCIP)

The City is also a voluntary participant in the Orange County Investment Pool (OCIP) that is regulated by California Government Code under the oversight of the County of Orange Treasurer. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by OCIP for the entire OCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by OCIP, which are recorded on amortized cost basis. OCIP is not rated. OCIP has a daily liquidity and there are no limitations or restrictions on participant withdrawals.

GASB Statement No. 31

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

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's investment policy, or debt agreements, and the actual rating as of fiscal year-end for each investment type:

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year-End	
			AAA	Not Rated
LAIF	\$ 2,685,388	N/A	\$ -	\$ 2,685,388
OCIP	7,179,883	N/A	-	7,179,883
Negotiable Certificates of Deposit	2,020,941	N/A	-	2,020,941
Total	<u>\$ 11,886,212</u>		<u>\$ -</u>	<u>\$ 11,886,212</u>

NOTE 3 – 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 investment or collateral securities that are in the possession of another party.

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, 2021, the City did not hold any investments in any one issuer (other than external investment pools) that represented 5% or more of total City investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the 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. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months	
LAIF	\$ 2,685,388	\$ -	\$ -	\$ -	\$ 2,685,388
OCIP	7,179,883	-	-	-	7,179,883
Negotiable Certificates of Deposit	353,726	254,655	1,412,560	-	2,020,941
Total	<u>\$ 10,218,997</u>	<u>\$ 254,655</u>	<u>\$ 1,412,560</u>	<u>\$ -</u>	<u>\$ 11,886,212</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

During the fiscal year ended June 30, 2021, the City 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).

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The City's investments in LAIF and OCIP are not subject to the fair value measurement hierarchy. The City's investments in the Negotiable Certificates of Deposits are categorized as Level 2 inputs in the fair value measurement hierarchy. Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:					
Land	\$ 6,916,750	\$ -	\$ -	\$ -	\$ 6,916,750
Construction in Progress	1,054,269	465,081	-	(1,163,351)	355,999
Total Capital Assets Not Being Depreciated	7,971,019	465,081	-	(1,163,351)	7,272,749
Capital Assets Being Depreciated:					
Building	2,563,250	-	-	-	2,563,250
Building Improvements	1,211,595	-	-	210,343	1,421,938
Furniture and Equipment	23,070	9,596	-	-	32,666
Infrastructure	35,585,431	362,302	-	953,008	36,900,741
Total Capital Assets Being Depreciated	39,383,346	371,898	-	1,163,351	40,918,595
Less Accumulated Depreciation for:					
Building	640,812	64,081	-	-	704,893
Building Improvements	788,040	42,805	-	-	830,845
Furniture and Equipment	6,789	4,056	-	-	10,845
Infrastructure	15,928,912	1,827,213	-	-	17,756,125
Total Accumulated Depreciation	17,364,553	1,938,155	-	-	19,302,708
Net Total Capital Assets Being Depreciated	22,018,793	(1,566,257)	-	1,163,351	21,615,887
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 29,989,812</u>	<u>\$ (1,101,176)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,888,636</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 110,942
Public Works	<u>1,827,213</u>
Total	<u>\$ 1,938,155</u>

The following construction commitments existed at June 30, 2021:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to Date as of June 30, 2021</u>	<u>Remaining Commitments</u>	<u>General Fund</u>	<u>PEG Fund</u>
City Hall Television Broadcast Improvement	\$ 36,465	\$ 23,423	\$ 13,042	\$ -	\$ 23,423
City Hall/Public Library Project	<u>173,398</u>	<u>159,217</u>	<u>14,181</u>	<u>159,217</u>	<u>-</u>
	<u>\$ 209,863</u>	<u>\$ 182,640</u>	<u>\$ 27,223</u>	<u>\$ 159,217</u>	<u>\$ 23,423</u>

NOTE 5 – COMPENSATED ABSENCES

The City's policies relating to compensated absences are described in Note 1 of the Notes to the Financial Statements. The liability will be paid in future fiscal years by the General Fund and Special Revenue Funds. Changes in compensated absences for the fiscal year ended June 30, 2021, were as follows:

Type of Debt	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 98,376	\$ 75,733	\$ 70,747	\$ 103,362	\$ 74,332
Total Compensated Absences	<u>\$ 98,376</u>	<u>\$ 75,733</u>	<u>\$ 70,747</u>	<u>\$ 103,362</u>	<u>\$ 74,332</u>

NOTE 6 – RISK MANAGEMENT

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 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 of Directors operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage fiscal years 2012-13 and prior. Coverage fiscal years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 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 \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

NOTE 6 – RISK MANAGEMENT (Continued)

B. Self-Insurance Programs of the Authority (Continued)

Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 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 \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For fiscal year 2020-21 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$250,000 deductible. The Authority has an aggregate limit of \$20 million.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City property currently has all-risk property insurance protection in the amount of \$4,911,458. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2020-21.

NOTE 7 – JOINT VENTURE

Orange County Fire Authority

In 1999, the City entered into a joint powers agreement that now includes the Cities of Aliso Viejo, Buena Park, Cypress, Dana Point, Garden Grove, Irvine, La Palma, Laguna Hills, Laguna Niguel, Lake Forest, Los Alamitos, Mission Viejo, Rancho Santa Margarita, San Clemente, Santa Ana, Stanton, San Juan Capistrano, Seal Beach, Tustin, Villa Park, Westminster, and Yorba Linda and the County of Orange to create the Orange County Fire Authority (Fire Authority). The purpose of the Fire 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 Fire Authority's governing board consists of one representative from each city and two from the County of Orange. The operations of the Fire Authority are funded with fire fees collected by the County of Orange 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, Santa Ana, and Seal Beach. The County of Orange pays all structural fire fees it collects to the Fire Authority. The cities of Stanton, Tustin, San Clemente, Westminster, Buena Park, Santa Ana, and Seal Beach are considered "cash contract cities" and accordingly make cash contributions based on the Fire Authority's annual budget. The City does not have an equity interest in the assets of the Fire Authority.

Complete financial statements may be obtained from the Orange County Fire Authority, 1 Fire Authority Road, Irvine, CA 92602.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments (COLAs), and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The COLAs for each plan are applied as specified by the Public Employees' Retirement Law.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)A. General Information about the Pension Plan (Continued)Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous Plan	
	Miscellaneous Prior to January 1, 2013 *	Miscellaneous PEPRA On or after January 1, 2013
Hire Date	January 1, 2013 *	January 1, 2013
Benefit Formula	2.000% @ 55	2.000% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50-67	52-67
Monthly Benefits, as a Percentage of Eligible Compensation	1.426% to 2.418%	1.000% to 2.500%
Required Employee Contribution Rates	7.000%	7.500%
Required Employer Contribution Rates		
Normal Cost Rate	11.579%	7.526%
Payment of Unfunded Liability	\$ 9,016	\$ 1,356

* Closed to new entrants except as allowed under applicable laws

Employees Covered

At the June 30, 2020 measurement date, the following employees were covered by the benefit terms of the Plan:

Description	Number of Members	
	Miscellaneous	Miscellaneous PEPRA
Active members	4	5
Transferred members	3	1
Terminated members	1	2
Retired members and beneficiaries	6	0
Total	14	8

Contributions

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

For the fiscal year ended June 30, 2021, the contributions that were recognized as a reduction (increase) to the net pension liability (asset) was \$159,875.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)A. General Information about the Pension Plan (Continued)CEPPT Trust

The City established a trust fund with the California Employers' Pension Prefunding Trust Fund (CEPPT) to prefund required pension contributions to the City's defined benefit pension plan in April 2021. Prefunding allows the City to reduce future costs by generating investment income which reduces future employer cash flow requirements necessary to offset annual costs. The City may begin contributing to the trust in fiscal year 2021-22.

B. Pension Asset, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the City reported a net pension asset for its proportionate share of the net pension liability of the Plan as follows:

Proportionate Share of Net Pension Liability / (Asset)

	Fiscal Year Ending	
	June 30, 2021	June 30, 2020
Miscellaneous	\$ (18,611)	\$ 15,529

The City's net pension asset for the Plan is measured as the proportionate share of the net pension liability. The net pension asset of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's total proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2019 and 2020, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.000150%
Proportion - June 30, 2020	-0.000170%
Change - Increase (Decrease)	-0.000320%

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$178,118.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 102,867	\$ -
Differences between actual and expected experience	-	(959)
Changes in assumptions	133	-
Change in employer's proportion	32,299	(56,875)
Differences between employer's contributions and the employer's proportionate share of contribution	44,694	(8,885)
Net differences between projected and actual earnings on Plan investments	-	(553)
Total	<u>\$ 179,993</u>	<u>\$ (67,272)</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**B. Pension Asset, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**
(Continued)

The \$102,867 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction (increase) to the net pension liability (asset) in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows / (Inflows) of Resources
2022	\$ 19,290
2023	(4,658)
2024	(4,512)
2025	(266)
2026	-
Thereafter	-
Total	<u>\$ 9,854</u>

Actuarial Assumptions

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table *	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

* The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for December 2017, including updates to salary increase, mortality, and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

There were no changes in demographic assumptions and inflation rate. There were no changes in the discount rate.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**B. Pension Asset, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**
(Continued)Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%
Total	<u>100.00%</u>		

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Asset to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension asset of the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1% point lower (6.15%) or 1% point higher (8.15%) than the current rate:

<u>Miscellaneous</u>	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Net Pension Liability/(Asset)	\$ 418,739	\$ (18,611)	\$ (379,980)

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Pension Asset, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
(Continued)

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2021, the City had no outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2021.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City provides retiree medical benefits under the Public Employees Medical and Hospital Care Act (PEMHCA), which provides access to group health insurance to eligible retirees and their spouses in accordance with PEMHCA. The City's OPEB Plan does not issue a separate stand-alone report as the plan type is an agent multiple-employer plan managed by the California Employers' Retirement Benefit Trust (CERBT) Fund. There are no special funding situations and no non-employer contributing entities.

B. 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 CalPERS 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 OPEB Plan consisted of 9 active employees and 4 enrolled eligible retirees at June 30, 2021. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the OPEB Plan at a later date.

C. Contributions

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 and makes additional contributions to the City's OPEB Trust. For the fiscal year ended June 30, 2021, the City paid \$30,319 in contributions for post-employment healthcare benefits.

D. OPEB Trust

The City established an OPEB Trust to prefund future OPEB costs in February 2016 with a goal of maintaining an 80% funding status. Prefunding allows the City to reduce future costs by generating investment income which reduces future employer cash flow requirements necessary to offset annual costs. Prefunding of the trust was established with a one-time contribution of \$60,511 in fiscal year 2015-16. The value of the trust as of the June 30, 2020 measurement date was \$127,057. The trust value at June 30, 2021, is \$143,969. The City contributed \$5,259 in fiscal year 2020-21.

Due to the establishment of the OPEB Trust, the funded status is anticipated to be at or above 80% with the next calculation (calculated June 30, 2022).

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**E. The CERBT Plan Long-Term Expected Rate of Return**

	Target Allocation (1)	Expected Real Rate of Return (2)
Asset Class:		
Global Equity	22.00%	4.82%
Fixed Income	49.00%	1.47%
TIPS	16.00%	1.29%
Commodities	5.00%	0.84%
REITS	8.00%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		5.50%
Discount Rate		5.50%

Notes:

- (1) CERBT Strategy 3 provided by CalPERS' Strategic Asset Allocation Analysis Review in August 2014.
- (2) The long-term expected real rates of return are presented as geometric means developed over a 20-year period.

F. Measurement Period and Employees Covered

Accounting principles generally accepted in the United States of America require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

At the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	9
Inactive employees currently receiving benefits*	4
Inactive employees entitled to but not yet receiving benefits	-
Total	<u>13</u>

*or beneficiaries currently receiving benefits

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**G. Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, that was rolled forward to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

Net OPEB Liability		
Fiscal year ending	June 30, 2021	June 30, 2020
Measurement date	June 30, 2020	June 30, 2019
Total OPEB liability	\$ 153,548	\$ 152,121
Fiduciary net position	<u>(126,987)</u>	<u>(101,108)</u>
Net OPEB liability	<u>\$ 26,561</u>	<u>\$ 51,013</u>

H. Change in the Net OPEB Liability

Change in Net OPEB Liability			
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at fiscal year-end June 30, 2020*	\$ 152,121	\$ 101,108	\$ 51,013
Changes for the year			
Service cost	6,563	-	6,563
Interest	8,433	-	8,433
Actual vs. expected experience	-	-	-
Assumption changes	(2,829)	-	(2,829)
Contributions - employer***	-	30,319	(30,319)
Net investment income	-	6,400	(6,400)
Benefit payments***	(10,740)	(10,740)	-
Administrative expense	-	(100)	100
Net changes	<u>1,427</u>	<u>25,879</u>	<u>(24,452)</u>
Balance at fiscal year-end June 30, 2021**	<u>\$ 153,548</u>	<u>\$ 126,987</u>	<u>\$ 26,561</u>

* Measurement date June 30, 2019

** Measurement date of June 30, 2020

*** Includes \$4,303 implied subsidy benefit payments

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**I. Sensitivity of the Net OPEB Liability to Changes in Assumptions**

The following presents the net OPEB liability of the OPEB Plan as if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020.

	Change in Discount Rate		
	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ 48,006	\$ 26,561	\$ 8,935

The following presents the net OPEB liability of the OPEB Plan if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020.

	Change in Healthcare Cost Trend Rates		
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 5,376	\$ 26,561	\$ 53,311

J. Balances of Deferred Outflows/Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the fiscal year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future OPEB expense.

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$9,919. At June 30, 2021, the City's deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 5,259	* \$ -
Differences between expected and actual experience	5,601	-
Changes of assumptions	46	(2,488)
Net difference between projected and actual earnings on OPEB Plan investments	-	(1,235)
Total	\$ 10,906	\$ (3,723)

* Includes \$5,076 cash benefit payments plus \$117 implied subsidy payment in fiscal year 2020-21, and administrative expenses of \$66.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)J. Balances of Deferred Outflows/Inflows of Resources (Continued)

The \$5,259 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Deferred Outflows of Resources</u>
2022	\$ 384
2023	208
2024	96
2025	417
2026	585
Thereafter	234
Total	<u>\$ 1,924</u>

K. Significant Actuarial Assumptions Used for Total OPEB Liability

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 OPEB 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.

Significant actuarial assumptions used in calculating the total OPEB liability at June 30, 2021, are:

Actuarial Assumptions	June 30, 2020 Measurement Date
Actuarial Valuation Date	June 30, 2019
Contribution Policy	Contribute to maintain plan at 80% funded
Discount Rate and Long-Term Expected Rate of Return on Investments	5.50% at June 30, 2020 5.50% at June 30, 2019 Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Inflation	2.75% annually
Salary Increase	Aggregate 3% annually Merit - CalPERS 1997-2015 Experience Study
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.00% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate of 4.00% in 2076
PEMHCA Minimum Increases	4.25% annually
Healthcare Participation for Future Retirees	50%

NOTE 10 – 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.

During fiscal year 2011-12, the City received Coastal Area Road Improvements and Traffic Signals (CARITS) Fund monies for transportation capital improvement projects from the County of Orange. The City conducted a multi-year review of the CARITS Fund and determined it has been inactive since fiscal year 2013-14 and no future activity is anticipated. The agreement with the County of Orange requires the City to remit any unspent fund balance to the County of Orange. Appropriations were increased in fiscal year 2021-22 to enable final disposition of the remaining fund balance. Final payment will be remitted to the County of Orange in December 2021 at approximately \$262,000.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to the governmental funds beginning fund balance to record prior fiscal year expenses in the proper fund. The restatement of beginning fund balance is summarized as follows:

	General Fund	Grants Fund Special Revenue Fund
Governmental Funds:		
Fund balances at July 1, 2020, as previously stated	\$ 10,127,848	\$ 44,067
Record prior year expenditures in the proper fund	13,385	(13,385)
Fund balances at July 1, 2020, as restated	<u>\$ 10,141,233</u>	<u>\$ 30,682</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 19, 2021, the date the financial statements were available to be issued and has concluded that no other subsequent events have occurred that would require recognition or disclosure in the basic financial statements.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 which includes emergency funding for local governments related to the COVID-19 public health emergency. The City will be receiving an allocation in the amount of \$3,791,657, of which \$1,895,828 was received in July 2021.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

CITY OF LAGUNA WOODS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
LAST TEN FISCAL YEARS*

Fiscal year ended	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's proportion of the net pension liability	-0.00017%	0.00015%	0.00100%	0.00113%	0.00653%	0.00581%	0.00641%
City's proportionate share of the net pension liability (asset)	\$ (18,611)	\$ 15,529	\$ 96,450	\$ 112,334	\$ 565,179	\$ 398,688	\$ 398,648
City's covered payroll	\$ 622,969	\$ 662,081	\$ 707,254	\$ 729,196	\$ 716,484	\$ 825,725	\$ 815,301
City's proportionate share of the net pension liability as a percentage of covered payroll	-2.99%	2.35%	13.64%	15.41%	78.88%	48.28%	48.90%
City's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%
City's proportionate share of aggregate employer contributions	\$ 147,670	\$ 125,816	\$ 104,868	\$ 95,620	\$ 87,255	\$ 74,766	\$ 52,739

Notes to Schedule:

Changes in Benefit Terms

There were no changes in benefit terms.

Changes in Assumptions

In 2018, demographic assumptions and the inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. From fiscal year June 30, 2015 to June 30, 2016: GASB Statement No. 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date was without reduction of pension plan administrative expense.

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

**CITY OF LAGUNA WOODS
SCHEDULE OF CONTRIBUTIONS – PENSION
LAST TEN FISCAL YEARS***

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 72,897	\$ 58,783	\$ 63,730	\$ 62,659	\$ 545,363	\$ 6,231	\$ 79,169
Contributions in relation to the actuarially determined contributions	<u>(102,867)</u>	<u>(159,875)</u>	<u>(201,185)</u>	<u>(62,659)</u>	<u>(545,363)</u>	<u>(6,231)</u>	<u>(79,169)</u>
Contribution deficiency (excess)	<u>\$ (29,970)</u>	<u>\$ (101,092)</u>	<u>\$ (137,455)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 744,400	\$ 622,969	\$ 662,081	\$ 707,254	\$ 729,196	\$ 716,484	\$ 825,725
Contributions as a percentage of covered payroll	13.82%	25.66%	30.39%	8.86%	74.79%	0.87%	9.59%

Notes to Schedule:

Valuation Date 6/30/2018

**Methods and Assumptions Used to
Determine Contribution Rates:**

Actuarial valuation method	Entry age normal cost method
Amortization method	Level percentage of payroll, direct rate smoothing
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.00%, net of administrative expenses
Mortality	The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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

CITY OF LAGUNA WOODS
SCHEDULE OF CHANGES IN THE NET OTHER POST-EMPLOYMENT
BENEFIT (OPEB) LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS⁽²⁾

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 6,563	\$ 13,574	\$ 13,179	\$ 12,795
Interest on the total OPEB liability	8,433	7,705	6,877	6,056
Actual vs. expected experience	-	7,437	-	-
Assumption changes	(2,829)	62	-	-
Benefit payments (includes \$4,303 implied subsidy)	(10,740)	(6,338)	(4,470)	(4,115)
Net change in total OPEB liability	1,427	22,440	15,586	14,736
Total beginning OPEB liability	152,121	129,681	114,095	99,359
Total ending OPEB liability	\$ 153,548	\$ 152,121	\$ 129,681	\$ 114,095
Plan Fiduciary Net Position				
Contributions - employer	\$ 30,319	\$ 6,385	\$ 28,282	\$ 4,115
Net investment interest on the total OPEB liability	6,400	6,789	3,187	2,678
Benefit payments (includes \$4,303 implied subsidy)	(10,740)	(6,338)	(4,470)	(4,115)
Administrative expense	(100)	(67)	(124)	(34)
Net change in plan fiduciary net position	25,879	6,769	26,875	2,644
Total beginning plan fiduciary net position	101,108	94,339	67,464	64,820
Total ending plan fiduciary net position	\$ 126,987	\$ 101,108	\$ 94,339	\$ 67,464
Net OPEB liability	\$ 26,561	\$ 51,013	\$ 35,342	\$ 46,631
Plan fiduciary net position as a percentage of the total OPEB liability	82.7%	66.5%	72.7%	59.1%
Covered payroll	\$ 626,673	\$ 684,801	\$ 702,326	\$ 690,005
Net OPEB liability as a percentage of covered payroll	4.2%	7.4%	5.0%	6.8%

Notes:

Note 1 – The discount rate used was 5.50% net of administrative expense for the measurement period ended June 30, 2020.

Note 2 – Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future years' information will be displayed up to ten years when information becomes available.

Note 3 – The next actuarial study is to be issued in 2022 with a June 30, 2021 measurement period.

**CITY OF LAGUNA WOODS
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS**

Note: This disclosure is not required. Funding is not based on actuarially determined contributions and contributions are neither statutorily or contractually established.

**CITY OF LAGUNA WOODS
SUMMARY OF MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GENERAL FUND

The General Fund is the primary operating fund of the City. The General Fund accounts for activities and services traditionally associated with governments, such as law enforcement services. The General Fund is used to account for revenue sources that are not legally restricted to expenditures for specified purposes, which are financed primarily through tax-generated revenues, and not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The following funds have been classified as major funds. The budget-actual comparisons for these funds have been presented in the accompanying financial statements as Required Supplementary Information:

Fuel Tax Fund – is used to account for the City's share of the motor vehicle gas tax imposed under the provisions of the Streets and Highways 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.

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.

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

**CITY OF LAGUNA WOODS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES:				
Property Tax	\$ 2,826,400	\$ 2,826,400	\$ 3,057,123	\$ 230,723
Property Transfer Tax	74,000	74,000	116,657	42,657
Sales Tax	889,000	889,000	1,010,418	121,418
Transient Occupancy Tax	225,000	225,000	254,371	29,371
Franchise Fee	712,900	712,900	667,091	(45,809)
Charges for Services	704,200	704,200	682,913	(21,287)
Investment Income	100,000	100,000	23,400	(76,600)
Miscellaneous	195,300	195,300	218,945	23,645
Total Revenues	<u>5,726,800</u>	<u>5,726,800</u>	<u>6,030,918</u>	<u>304,118</u>
EXPENDITURES:				
Current:				
City Council	17,157	17,157	14,856	2,301
Administrative Services	452,793	477,793	480,327	(2,534)
General Government	847,197	877,167	803,059	74,108
Public Safety	2,883,174	2,883,174	2,857,749	25,425
Public Works	339,663	355,959	308,354	47,605
Community Development	1,212,617	1,245,790	1,185,731	60,059
Capital Outlay	439,099	750,974	270,602	480,372
Total Expenditures	<u>6,191,700</u>	<u>6,608,014</u>	<u>5,920,678</u>	<u>687,336</u>
NET CHANGE IN FUND BALANCE	<u>\$ (464,900)</u>	<u>\$ (881,214)</u>	110,240	<u>\$ 991,454</u>
FUND BALANCE:				
Beginning of Year, as Originally Reported			10,127,848	
Prior Period Adjustment			<u>13,385</u>	
Beginning of Year, as Restated			<u>10,141,233</u>	
End of Year			<u>\$ 10,251,473</u>	

**CITY OF LAGUNA WOODS
BUDGETARY COMPARISON SCHEDULE
FUEL TAX SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES:				
Intergovernmental	\$ 18,570	\$ 18,570	\$ -	\$ (18,570)
Taxes and Assessments	378,887	378,887	362,904	(15,983)
Investment Income	-	-	3,973	3,973
Total Revenues	<u>397,457</u>	<u>397,457</u>	<u>366,877</u>	<u>(30,580)</u>
EXPENDITURES:				
Current:				
Public Works	350,974	350,974	345,661	5,313
Capital Outlay	-	67,345	66,863	482
Total Expenditures	<u>350,974</u>	<u>418,319</u>	<u>412,524</u>	<u>5,795</u>
NET CHANGE IN FUND BALANCE	<u>\$ 46,483</u>	<u>\$ (20,862)</u>	(45,647)	<u>\$ (24,785)</u>
FUND BALANCE:				
Beginning of Year			<u>356,595</u>	
End of Year			<u>\$ 310,948</u>	

**CITY OF LAGUNA WOODS
BUDGETARY COMPARISON SCHEDULE
MEASURE M SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES:				
Intergovernmental	\$ 220,158	\$ 220,158	\$ 297,534	\$ 77,376
Investment Income	-	-	1,659	1,659
Total Revenues	<u>220,158</u>	<u>220,158</u>	<u>299,193</u>	<u>79,035</u>
EXPENDITURES:				
Current:				
Public Works	204,988	204,988	221,174	(16,186)
Capital Outlay	-	31,641	-	31,641
Total Expenditures	<u>204,988</u>	<u>236,629</u>	<u>221,174</u>	<u>15,455</u>
NET CHANGE IN FUND BALANCE	<u>\$ 15,170</u>	<u>\$ (16,471)</u>	78,019	<u>\$ 94,490</u>
FUND BALANCE:				
Beginning of Year			<u>59,812</u>	
End of Year			<u>\$ 137,831</u>	

**CITY OF LAGUNA WOODS
BUDGETARY COMPARISON SCHEDULE
GRANTS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES:				
Intergovernmental	\$ 875,554	\$ 991,868	\$ 316,868	\$ (675,000)
Investment Income	-	-	5,334	5,334
	<u>875,554</u>	<u>991,868</u>	<u>322,202</u>	<u>(669,666)</u>
Total Revenues				
EXPENDITURES:				
Current:				
Public Safety	-	269,145	269,172	(27)
Community Development	225,000	230,350	93,505	136,845
Capital Outlay	700,000	735,544	35,544	700,000
	<u>925,000</u>	<u>1,235,039</u>	<u>398,221</u>	<u>836,818</u>
Total Expenditures				
NET CHANGE IN FUND BALANCE	<u><u>\$ (49,446)</u></u>	<u><u>\$ (243,171)</u></u>	(76,019)	<u><u>\$ 167,152</u></u>
FUND BALANCE:				
Beginning of Year, as Originally Reported			44,067	
Prior Period Adjustment			<u>(13,385)</u>	
Beginning of Year, as Restated			<u>30,682</u>	
End of Year			<u><u>\$ (45,337)</u></u>	

**CITY OF LAGUNA WOODS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 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 fiscal year. Upon final adoption, the budget shall be in effect for the ensuing fiscal year.

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

Appropriations lapse at the end of the fiscal year except (1) unexpended appropriations for projects completed or underway at the end of the fiscal year as recommended by the City Manager and approved by the City Council, and (2) unexpended appropriations for capital improvement projects and nonoperating projects.

Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year. During the fiscal year, there were seventeen supplemental appropriations approved by the City Council totaling \$1,504,862, and capital and other one-time projects budget carryovers totaling \$572,014.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

**CITY OF LAGUNA WOODS
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2021**

SPECIAL REVENUE FUNDS

The following Special Revenue Funds have been classified as nonmajor funds in the accompanying financial statements:

Road Repair and Accountability Act of 2017 Fund – is used to account for the City's share of the motor vehicle gas tax imposed under the provisions of Senate Bill 1 (SB 1), a California legislative bill that was passed and signed into law in April 2017 with expenditures restricted for improvement and maintenance of public streets, improving traffic safety, and expanding public transit systems.

Coastal Area Road Improvements and Traffic Signals Fund (CARITS) – is used to account for receipts from the County of Orange and expenditures for the construction of roadway gaps, intersection improvements, and traffic signals as identified in the South County Road Improvement Action Plan.

Supplemental Law Enforcement Program Fund – is used to account for the receipts and expenditures from the State of California's Citizens Option for Public Safety (COPS) program.

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

PEG/Cable Television Fund – is used to account for funds received and expenditures related to maintenance and the purchase of equipment necessary for the operation of public, educational, and governmental access (PEG) channels and cable access to PEG channels within the City's jurisdiction.

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

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

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

**CITY OF LAGUNA WOODS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Funds			
	Road Repair and Accountability Act of 2017	Coastal Area Road Improvements and Traffic Signals	Supplemental Law Enforcement Program	Air Quality Improvement
ASSETS				
Cash and Investments	\$ 305,131	\$ 261,311	\$ 23,512	\$ 219,237
Receivables:				
Accounts	-	-	-	-
Due from Other Governments	29,408	-	-	5,393
Total Assets	<u>\$ 334,539</u>	<u>\$ 261,311</u>	<u>\$ 23,512</u>	<u>\$ 224,630</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 13,175	\$ -
Accrued Liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>13,175</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Public Safety	-	-	10,337	-
Public Works	334,539	261,311	-	-
Community Development	-	-	-	224,630
Community Services	-	-	-	-
Total Fund Balances	<u>334,539</u>	<u>261,311</u>	<u>10,337</u>	<u>224,630</u>
Total Liabilities and Fund Balances	<u>\$ 334,539</u>	<u>\$ 261,311</u>	<u>\$ 23,512</u>	<u>\$ 224,630</u>

**CITY OF LAGUNA WOODS
COMBINING BALANCE SHEET (Continued)
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2021**

Special Revenue Funds (Continued)				
PEG/Cable Television	Senior Mobility	CDBG	Civic Support	Total Other Governmental Funds
\$ 24,035	\$ 178,984	\$ -	\$ 5,439	\$ 1,017,649
756	95	-	-	851
-	15,733	-	-	50,534
<u>\$ 24,791</u>	<u>\$ 194,812</u>	<u>\$ -</u>	<u>\$ 5,439</u>	<u>\$ 1,069,034</u>
\$ -	\$ 3,533	\$ -	\$ -	\$ 16,708
-	883	-	-	883
<u>-</u>	<u>4,416</u>	<u>-</u>	<u>-</u>	<u>17,591</u>
-	-	-	-	10,337
-	-	-	-	595,850
-	-	-	-	224,630
<u>24,791</u>	<u>190,396</u>	<u>-</u>	<u>5,439</u>	<u>220,626</u>
<u>24,791</u>	<u>190,396</u>	<u>-</u>	<u>5,439</u>	<u>1,051,443</u>
<u>\$ 24,791</u>	<u>\$ 194,812</u>	<u>\$ -</u>	<u>\$ 5,439</u>	<u>\$ 1,069,034</u>

**CITY OF LAGUNA WOODS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds			
	Road Repair and Accountability Act of 2017	Coastal Area Road Improvements and Traffic Signals	Supplemental Law Enforcement Program	Air Quality Improvement
REVENUES:				
Taxes and Assessments	\$ 299,200	\$ -	\$ -	\$ -
Intergovernmental	-	-	156,731	26,379
Charges for Services	-	-	-	-
Investment Income	3,167	2,798	446	2,222
Miscellaneous	-	-	-	-
Total Revenues	<u>302,367</u>	<u>2,798</u>	<u>157,177</u>	<u>28,601</u>
EXPENDITURES:				
Current:				
Public Safety	-	-	158,100	-
Community Development	-	-	-	290
Community Services	-	-	-	-
Capital Outlay	218,289	-	-	-
Total Expenditures	<u>218,289</u>	<u>-</u>	<u>158,100</u>	<u>290</u>
NET CHANGE IN FUND BALANCES	<u>84,078</u>	<u>2,798</u>	<u>(923)</u>	<u>28,311</u>
FUND BALANCES:				
Beginning of Year	<u>250,461</u>	<u>258,513</u>	<u>11,260</u>	<u>196,319</u>
End of Year	<u>\$ 334,539</u>	<u>\$ 261,311</u>	<u>\$ 10,337</u>	<u>\$ 224,630</u>

**CITY OF LAGUNA WOODS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Special Revenue Funds (Continued)				
PEG/Cable Television	Senior Mobility	CDBG	Civic Support	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 299,200
14,003	131,079	177,726	-	505,918
-	14,508	-	-	14,508
544	1,517	-	1	10,695
-	-	-	1,772	1,772
<u>14,547</u>	<u>147,104</u>	<u>177,726</u>	<u>1,773</u>	<u>832,093</u>
-	-	-	-	158,100
-	-	-	-	290
3,000	67,711	33,713	3,579	108,003
<u>101,668</u>	<u>-</u>	<u>144,013</u>	<u>-</u>	<u>463,970</u>
<u>104,668</u>	<u>67,711</u>	<u>177,726</u>	<u>3,579</u>	<u>730,363</u>
<u>(90,121)</u>	<u>79,393</u>	<u>-</u>	<u>(1,806)</u>	<u>101,730</u>
<u>114,912</u>	<u>111,003</u>	<u>-</u>	<u>7,245</u>	<u>949,713</u>
<u>\$ 24,791</u>	<u>\$ 190,396</u>	<u>\$ -</u>	<u>\$ 5,439</u>	<u>\$ 1,051,443</u>

**CITY OF LAGUNA WOODS
ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES:				
Taxes and Assessments	\$ 283,889	\$ 283,889	\$ 299,200	\$ 15,311
Investment Income	-	-	3,167	3,167
Total Revenues	<u>283,889</u>	<u>283,889</u>	<u>302,367</u>	<u>18,478</u>
EXPENDITURES:				
Current:				
Capital Outlay	<u>275,000</u>	<u>275,000</u>	<u>218,289</u>	<u>56,711</u>
Total Expenditures	<u>275,000</u>	<u>275,000</u>	<u>218,289</u>	<u>56,711</u>
NET CHANGE IN FUND BALANCE	<u>\$ 8,889</u>	<u>\$ 8,889</u>	84,078	<u>\$ 75,189</u>
FUND BALANCE:				
Beginning of Year			<u>250,461</u>	
End of Year			<u>\$ 334,539</u>	

**CITY OF LAGUNA WOODS
COASTAL AREA ROAD IMPROVEMENTS AND
TRAFFIC SIGNALS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES:				
Investment Income	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 2,798</u>	<u>\$ (1,202)</u>
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>2,798</u>	<u>(1,202)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 4,000</u></u>	<u><u>\$ 4,000</u></u>	<u>2,798</u>	<u><u>\$ (1,202)</u></u>
FUND BALANCE:				
Beginning of Year			<u>258,513</u>	
End of Year			<u><u>\$ 261,311</u></u>	

**CITY OF LAGUNA WOODS
SUPPLEMENTAL LAW ENFORCEMENT PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES:				
Intergovernmental	\$ 158,100	\$ 158,100	\$ 156,731	\$ (1,369)
Investment Income	-	-	446	446
Total Revenues	<u>158,100</u>	<u>158,100</u>	<u>157,177</u>	<u>(923)</u>
EXPENDITURES:				
Current:				
Public Safety	<u>158,100</u>	<u>158,100</u>	<u>158,100</u>	<u>-</u>
Total Expenditures	<u>158,100</u>	<u>158,100</u>	<u>158,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(923)	<u>\$ (923)</u>
FUND BALANCE:				
Beginning of Year			<u>11,260</u>	
End of Year			<u>\$ 10,337</u>	

**CITY OF LAGUNA WOODS
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES:				
Intergovernmental	\$ 73,000	\$ 73,000	\$ 26,379	\$ (46,621)
Investment Income	-	-	2,222	2,222
Total Revenues	<u>73,000</u>	<u>73,000</u>	<u>28,601</u>	<u>(44,399)</u>
EXPENDITURES:				
Current:				
Community Development	-	2,215	290	1,925
Capital Outlay	92,500	92,500	-	92,500
Total Expenditures	<u>92,500</u>	<u>94,715</u>	<u>290</u>	<u>94,425</u>
NET CHANGE IN FUND BALANCE	<u>\$ (19,500)</u>	<u>\$ (21,715)</u>	28,311	<u>\$ 50,026</u>
FUND BALANCE:				
Beginning of Year			<u>196,319</u>	
End of Year			<u>\$ 224,630</u>	

**CITY OF LAGUNA WOODS
PEG/CABLE TELEVISION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES:				
Intergovernmental	\$ 14,900	\$ 14,900	\$ 14,003	\$ (897)
Investment Income	<u>-</u>	<u>-</u>	<u>544</u>	<u>544</u>
Total Revenues	<u>14,900</u>	<u>14,900</u>	<u>14,547</u>	<u>(353)</u>
EXPENDITURES:				
Current:				
Community Services	2,000	3,000	3,000	-
Capital Outlay	<u>75,000</u>	<u>101,668</u>	<u>101,668</u>	<u>-</u>
Total Expenditures	<u>77,000</u>	<u>104,668</u>	<u>104,668</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (62,100)</u></u>	<u><u>\$ (89,768)</u></u>	<u>(90,121)</u>	<u><u>\$ (353)</u></u>
FUND BALANCE:				
Beginning of Year			<u>114,912</u>	
End of Year			<u><u>\$ 24,791</u></u>	

**CITY OF LAGUNA WOODS
SENIOR MOBILITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES:				
Charges for Services	\$ 60,694	\$ 60,694	\$ 14,508	\$ (46,186)
Intergovernmental	114,355	114,355	131,079	16,724
Investment Income	-	-	1,517	1,517
Total Revenues	<u>175,049</u>	<u>175,049</u>	<u>147,104</u>	<u>(27,945)</u>
EXPENDITURES:				
Current:				
Community Services	<u>175,000</u>	<u>175,000</u>	<u>67,711</u>	<u>107,289</u>
Total Expenditures	<u>175,000</u>	<u>175,000</u>	<u>67,711</u>	<u>107,289</u>
NET CHANGE IN FUND BALANCE	<u>\$ 49</u>	<u>\$ 49</u>	79,393	<u>\$ 79,344</u>
FUND BALANCE:				
Beginning of Year			<u>111,003</u>	
End of Year			<u>\$ 190,396</u>	

**CITY OF LAGUNA WOODS
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES:				
Intergovernmental	\$ 183,713	\$ 183,713	\$ 177,726	\$ (5,987)
Total Revenues	<u>183,713</u>	<u>183,713</u>	<u>177,726</u>	<u>(5,987)</u>
EXPENDITURES				
Current:				
Community Services	33,713	33,713	33,713	-
Capital Outlay	<u>150,000</u>	<u>150,000</u>	<u>144,013</u>	<u>5,987</u>
Total Expenditures	<u>183,713</u>	<u>183,713</u>	<u>177,726</u>	<u>5,987</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of Year			<u>-</u>	
End of Year			<u>\$ -</u>	

**CITY OF LAGUNA WOODS
CIVIC SUPPORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES:				
Miscellaneous	\$ 20,015	\$ 20,015	\$ 1,772	\$ (18,243)
Investment Income	-	-	1	1
Total Revenues	<u>20,015</u>	<u>20,015</u>	<u>1,773</u>	<u>(18,242)</u>
EXPENDITURES:				
Current:				
Community Services	<u>24,408</u>	<u>24,408</u>	<u>3,579</u>	<u>20,829</u>
Total Expenditures	<u>24,408</u>	<u>24,408</u>	<u>3,579</u>	<u>20,829</u>
NET CHANGE IN FUND BALANCE	<u>\$ (4,393)</u>	<u>\$ (4,393)</u>	<u>(1,806)</u>	<u>\$ 2,587</u>
FUND BALANCE:				
Beginning of Year			<u>7,245</u>	
End of Year			<u>\$ 5,439</u>	

This page intentionally left blank.

STATISTICAL SECTION

This page intentionally left blank.

**CITY OF LAGUNA WOODS
DESCRIPTION OF STATISTICAL SECTION CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

This part of the City of Laguna Woods' (the City's) Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents	Pages
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	83 - 92
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	93 - 106
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	107 - 111
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	112 - 114

**CITY OF LAGUNA WOODS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30				
	2012	2013 as restated	2014 as restated	2015	2016
Governmental activities:					
Net investment in capital assets	\$ 20,473,643	\$ 22,474,259	\$ 27,395,543	\$ 35,331,456	\$ 33,783,628
Restricted	171,390	920,587	669,420	1,464,214	1,587,683
Unrestricted	7,708,348	8,115,566	8,289,008	9,399,679	8,898,481
Total governmental activities net position	<u>\$ 28,353,381</u>	<u>\$ 31,510,412</u>	<u>\$ 36,353,971</u>	<u>\$ 46,195,349</u>	<u>\$ 44,269,792</u>

Note:

The City has no business-type activities.

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

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30				
2017 as restated	2018	2019 as restated	2020	2021
\$ 32,095,973	\$ 31,748,757	\$ 30,950,071	\$ 29,989,812	\$ 28,888,636
1,371,195	1,236,152	1,410,529	1,412,618	1,500,199
9,734,782	9,936,816	10,032,809	10,363,509	10,360,579
<u>\$ 43,201,950</u>	<u>\$ 42,921,725</u>	<u>\$ 42,393,409</u>	<u>\$ 41,765,939</u>	<u>\$ 40,749,414</u>

**CITY OF LAGUNA WOODS
CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30			
	2012	2013 as restated	2014 as restated	2015
Expenses:				
Governmental activities:				
General government	\$ 1,427,072	\$ 1,652,166	\$ 1,582,672	\$ 1,378,555
Public safety	1,617,293	1,738,531	1,865,156	1,623,288
Public works	1,474,254	165,783	2,090,472	2,588,172
Community development	801,271	850,354	700,826	1,102,273
Community services	521,797	440,732	434,773	346,288
Total governmental activities expenses	<u>5,841,687</u>	<u>4,847,566</u>	<u>6,673,899</u>	<u>7,038,576</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	257,340	121,094	118,820	150,814
Public safety	204,592	258,636	248,537	25,810
Public works	-	-	-	699,984
Community development	422,952	580,765	535,675	-
Community services	30,000	5,319	38,547	-
Operating grants and contributions	1,852,654	3,011,819	1,485,564	1,419,207
Capital grants and contributions	100,032	100,000	1,457,217	10,376,299
Total governmental activities program revenues	<u>2,867,570</u>	<u>4,077,633</u>	<u>3,884,360</u>	<u>12,672,114</u>
Net revenues (expenses)	<u>\$ (2,974,117)</u>	<u>\$ (769,933)</u>	<u>\$ (2,789,539)</u>	<u>\$ 5,633,538</u>

Note:

The City has no business-type activities.

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

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30

2016	2017	2018	2019	2020	2021
\$ 1,503,279	\$ 1,433,890	\$ 1,331,112	\$ 1,418,877	\$ 1,545,011	\$ 1,494,081
2,606,312	2,667,582	2,668,100	2,871,995	2,939,686	3,285,021
2,654,039	2,440,923	4,064,453	2,643,054	2,721,017	2,702,402
1,107,156	948,873	963,362	1,082,897	999,614	1,279,526
487,854	429,479	265,384	171,965	98,971	108,003
<u>8,358,640</u>	<u>7,920,747</u>	<u>9,292,411</u>	<u>8,188,788</u>	<u>8,304,299</u>	<u>8,869,033</u>
90,343	200,896	252,305	-	-	-
5,851	-	-	-	-	-
730,203	694,316	647,008	-	-	-
-	-	-	759,261	671,039	684,139
-	-	110,898	76,814	39,436	14,508
1,176,753	782,456	694,918	243,617	365,823	678,773
205,231	209,447	2,552,084	787,767	453,524	441,547
<u>2,208,381</u>	<u>1,887,115</u>	<u>4,257,213</u>	<u>1,867,459</u>	<u>1,529,822</u>	<u>1,818,967</u>
<u>\$ (6,150,259)</u>	<u>\$ (6,033,632)</u>	<u>\$ (5,035,198)</u>	<u>\$ (6,321,329)</u>	<u>\$ (6,774,477)</u>	<u>\$ (7,050,066)</u>

**CITY OF LAGUNA WOODS
CHANGES IN NET POSITION
GENERAL REVENUES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30			
	2012	2013 as restated	2014 as restated	2015
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 229,802	\$ 384,386	\$ 289,177	\$ 308,786
Property taxes in lieu of VLF	1,627,101	1,649,600	1,557,290	1,803,982
Sales taxes	855,533	850,241	980,556	908,621
Transient occupancy taxes	396,797	404,110	443,361	452,293
Franchise fees	607,785	688,948	628,027	604,739
Other taxes	-	-	-	-
Investment income	26,753	20,438	19,428	26,810
Miscellaneous income	-	-	-	102,609
Total governmental activities	<u>3,743,771</u>	<u>3,997,723</u>	<u>3,917,839</u>	<u>4,207,840</u>
Net program revenues/(expenses)	<u>(2,974,117)</u>	<u>(769,933)</u>	<u>(2,789,539)</u>	<u>5,633,538</u>
Changes in net position:				
Governmental activities	<u>\$ 769,654</u>	<u>\$ 3,227,790</u>	<u>\$ 1,128,300</u>	<u>\$ 9,841,378</u>

Note:

The City has no business-type activities.

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

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30					
2016	2017	2018	2019	2020	2021
\$ 328,168	\$ 428,265	\$ 378,862	\$ 369,893	\$ 391,860	\$ 441,865
984,031	2,062,919	2,194,558	2,345,270	2,461,271	2,731,915
475,926	888,817	896,503	901,697	957,549	1,010,418
1,949,418	487,391	484,470	483,729	349,660	254,371
626,027	662,027	672,266	701,646	699,250	667,091
-	-	-	457,347	654,199	662,104
44,394	73,727	128,314	291,825	264,171	45,062
-	-	-	483,278	369,047	220,715
4,407,964	4,603,146	4,754,973	6,034,685	6,147,007	6,033,541
(6,150,259)	(6,033,632)	(5,035,198)	(6,321,329)	(6,774,477)	(7,050,066)
<u>\$ (1,742,295)</u>	<u>\$ (1,430,486)</u>	<u>\$ (280,225)</u>	<u>\$ (286,644)</u>	<u>\$ (627,470)</u>	<u>\$ (1,016,525)</u>

**CITY OF LAGUNA WOODS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30			
	2012	2013 as restated	2014 as restated	2015
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	32,300	-
Assigned	1,021,165	1,859,674	1,774,782	1,728,998
Unassigned	6,815,516	6,845,440	7,485,338	8,348,147
Total general fund	<u>\$ 7,836,681</u>	<u>\$ 8,705,114</u>	<u>\$ 9,292,420</u>	<u>\$ 10,077,145</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	1,005,889	920,587	561,920	1,464,214
Unassigned	(923,251)	(358,308)	(852,083)	(486,915)
Total all other governmental funds	<u>\$ 82,638</u>	<u>\$ 562,279</u>	<u>\$ (290,163)</u>	<u>\$ 977,299</u>

Notes:

(1) The City has no debt service or capital projects funds.

(2) GASB Statement No. 75, which was implemented in 2018, eliminated reporting under GASB Statement No. 45 for other post-employment benefits. As such, years prior to 2018 are not directly comparable to 2018 and subsequent years.

Source: City of Laguna Woods, Administrative Services Department

Fiscal Year Ended June 30					
2016	2017	2018	2019	2020	2021
\$ 66,466	\$ 75,761	\$ 57,001	\$ 74,655	\$ 12,412	\$ 10,019
602	-	3,980	-	2,431	2,687
679,260	285,734	1,010,054	419,823	3,023,550	3,128,900
<u>8,861,873</u>	<u>9,293,180</u>	<u>8,868,233</u>	<u>9,358,299</u>	<u>7,089,455</u>	<u>7,109,867</u>
<u>\$ 9,608,201</u>	<u>\$ 9,654,675</u>	<u>\$ 9,939,268</u>	<u>\$ 9,852,777</u>	<u>\$ 10,127,848</u>	<u>\$ 10,251,473</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,710
1,746,561	1,371,195	1,232,172	1,410,529	1,410,187	1,497,512
<u>(338,715)</u>	<u>(114,932)</u>	<u>(175,762)</u>	<u>-</u>	<u>-</u>	<u>(45,337)</u>
<u>\$ 1,407,846</u>	<u>\$ 1,256,263</u>	<u>\$ 1,056,410</u>	<u>\$ 1,410,529</u>	<u>\$ 1,410,187</u>	<u>\$ 1,454,885</u>

**CITY OF LAGUNA WOODS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30			
	2012	2013 as restated	2014 as restated	2015
Revenues:				
Taxes and assessments	\$ 1,985,268	\$ 2,085,041	\$ 3,828,708	\$ 4,005,500
Intergovernmental	2,962,692	4,424,819	1,763,196	1,769,480
Franchise fees	607,787	688,949	628,028	604,739
Charges for services	623,471	689,184	610,251	699,984
Fines and forfeitures	210,089	259,561	248,089	25,810
Investment income	28,979	22,724	19,428	24,300
Miscellaneous	81,112	17,021	123,340	150,814
Total revenues	<u>6,499,398</u>	<u>8,187,299</u>	<u>7,221,040</u>	<u>7,280,627</u>
Expenditures				
Current:				
General government	1,352,679	1,566,398	1,660,037	1,259,342
Public safety	1,617,293	1,738,531	1,865,156	1,637,906
Public works	1,588,710	2,243,210	2,825,384	885,016
Community development	801,271	850,354	700,826	1,102,273
Community services	521,797	440,732	434,773	343,903
Capital outlay	-	-	-	-
Total expenditures	<u>5,881,750</u>	<u>6,839,225</u>	<u>7,486,176</u>	<u>5,228,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>617,648</u>	<u>1,348,074</u>	<u>(265,136)</u>	<u>2,052,187</u>
Other financing sources (uses):				
Transfers in	71,738	-	25,000	-
Transfers out	<u>(71,738)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 617,648</u>	<u>\$ 1,348,074</u>	<u>\$ (265,136)</u>	<u>\$ 2,052,187</u>

Source: City of Laguna Woods, Administrative Services Department

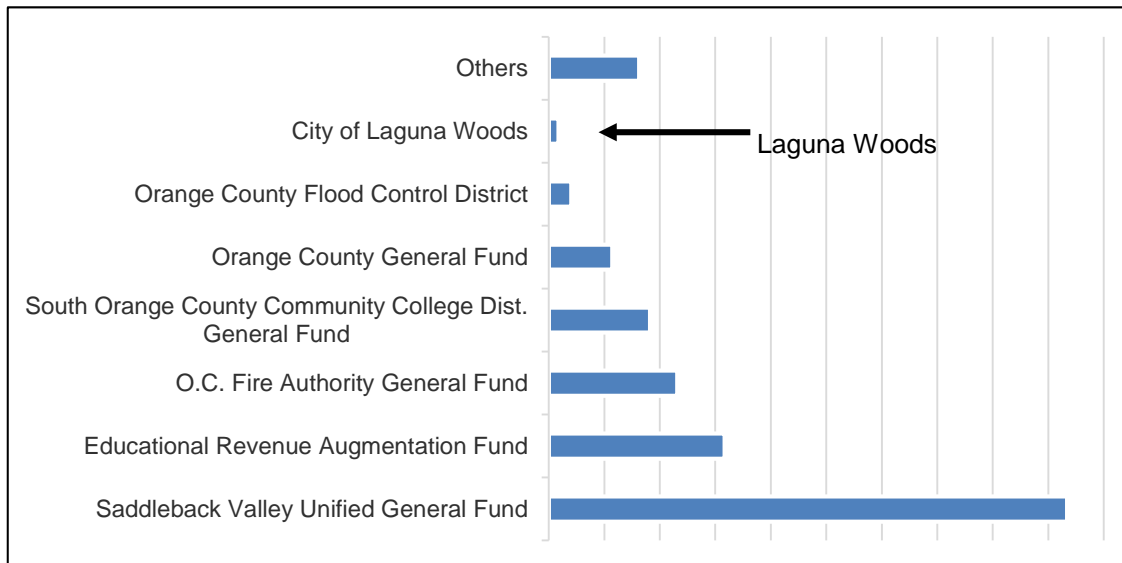
Fiscal Year Ended June 30

2016	2017	2018	2019	2020	2021
\$ 4,094,673	\$ 4,185,064	\$ 4,402,360	\$ 4,709,062	\$ 4,814,539	\$ 5,100,673
1,011,982	750,304	1,351,583	982,268	744,677	1,120,320
539,107	748,947	672,266	701,646	699,250	667,091
730,203	694,316	647,008	836,075	710,475	697,421
5,851	-	-	-	-	-
46,905	73,728	128,314	291,825	369,047	45,061
192,950	186,300	251,566	510,730	274,016	220,717
<u>6,621,671</u>	<u>6,638,659</u>	<u>7,453,097</u>	<u>8,031,606</u>	<u>7,612,004</u>	<u>7,851,283</u>
1,519,438	1,860,609	1,234,039	1,462,734	1,432,577	1,298,242
2,621,018	2,667,582	2,668,100	2,871,995	2,939,686	3,285,021
899,623	785,903	2,184,451	880,889	932,761	875,189
1,107,156	948,873	1,016,383	1,082,897	999,614	1,279,526
489,051	429,479	265,384	171,965	98,971	108,003
-	51,322	-	1,293,498	933,666	836,979
<u>6,636,286</u>	<u>6,743,768</u>	<u>7,368,357</u>	<u>7,763,978</u>	<u>7,337,275</u>	<u>7,682,960</u>
<u>(14,615)</u>	<u>(105,109)</u>	<u>84,740</u>	<u>267,628</u>	<u>274,729</u>	<u>168,323</u>
27,528	882,275	5,000	14,915	-	-
<u>(27,528)</u>	<u>(882,275)</u>	<u>(5,000)</u>	<u>(14,915)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>\$ (14,615)</u>	<u>\$ (105,109)</u>	<u>\$ 84,740</u>	<u>\$ 267,628</u>	<u>\$ 274,729</u>	<u>\$ 168,323</u>

**CITY OF LAGUNA WOODS
PROPERTY TAX DOLLAR BREAKDOWN
FISCAL YEAR 2020-21**

Tax Rate Area	Annual Tax Increment
Saddleback Valley Unified General Fund	\$0.4668
Educational Revenue Augmentation Fund	\$0.1584
O.C. Fire Authority General Fund	\$0.1157
South Orange County Community College Dist. General Fund	\$0.0912
Orange County General Fund	\$0.0573
Orange County Flood Control District	\$0.0204
Others:	
Orange County Public Library	\$0.0172
O.C. Dept. of Education General Fund	\$0.0168
Aliso Viejo City CSA #4 RO (in 99-06r)	\$0.0162
O.C. Harbors Beaches and Parks CSA 26	\$0.0157
El Toro Water District - General Fund	\$0.0110
Laguna Woods General Fund	\$0.0088
Orange County Transit Authority	\$0.0029
Orange County Vector Control District	\$0.0011
Orange County Cemetery Fund - General	\$0.0005
Total Annual Tax Increment (ATI)	\$1.0000

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



Source: Orange County Assessor - FY 2020-21 Annual Tax Increment Tables
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(RATE PER \$100 OF TAXABLE VALUE)**

	Fiscal Year Ended June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Direct Rates										
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Tax Rates (2)										
Capistrano										
Union	0.01101	0.01171	0.00972	0.00900	0.00845	0.00843	0.00800	0.00786	0.00745	0.00756
Laguna Beach										
Unified	0.01601	0.01694	0.01567	0.01461	0.01396	0.01371	0.01287	0.01285	0.01266	0.01012
Metropolitan										
Water Dist.	0.00370	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
Saddleback										
Valley										
Unified	<u>0.03163</u>	<u>0.03265</u>	<u>0.03207</u>	<u>0.02806</u>	<u>0.03008</u>	<u>0.02688</u>	<u>0.02365</u>	<u>0.02392</u>	<u>0.02295</u>	<u>0.02336</u>
Total Direct and Overlapping Tax Rates	<u>1.06235</u>	<u>1.06480</u>	<u>1.06096</u>	<u>1.05517</u>	<u>1.05599</u>	<u>1.05252</u>	<u>1.04802</u>	<u>1.04813</u>	<u>1.04656</u>	<u>1.04454</u>
City's Share of 1% Levy Per Prop 13 (3)	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879
Total Direct Rate (4)	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00879	0.00877	0.00877	0.00912
Redevelopment Rate (5)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

Notes:

- (1) In 1978, California voters passed Proposition 13, which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies within which the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all property owners within the City.
- (3) The City's share of the 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. The Educational Revenue Augmentation Funds (ERAF) portion of the City's Levy has been subtracted where known.
- (4) Total Direct Rate is the weighted average of all individual direct rates applied to the City and excludes revenues derived from aircraft. Beginning in the fiscal year ended June 30, 2014, the Total Direct Rate no longer includes revenue generated from former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during the fiscal year ended June 30, 2013. For purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.
- (5) The City of Laguna Woods never established a redevelopment agency.

**CITY OF LAGUNA WOODS
OVERLAPPING DEBT
AS OF JUNE 30, 2012
(RATE PER \$100 OF TAXABLE VALUE)**

	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable to City</u>	<u>Net Bonded Debt</u>
Overlapping Debt			
628.01 CAPISTRANO UNION SFID#1 1999 BOND #2002C	\$ 14,990,000	0.049%	\$ 7,408
629.01 CAPISTRANO UNION SFID#1 1999 BOND #2001B	16,429,930	0.049%	8,119
632.02 LAGUNA BEACH UNIFIED 2001 BOND SERIES 2003	390,000	0.864%	3,371
640.02 CAPISTRANO UNION SFID#1 1999 BOND #2000A	14,090,000	0.049%	6,963
6AB.01 SADDLEBACK VALLEY USD 2004 BOND #2004A	84,500,000	6.838%	5,778,458
6AW.01 SADDLEBACK VALLEY USD 2004 SERIES B	47,425,000	6.838%	3,243,117
6BM.01 LAGUNA BEACH USD 2010 GO REFUNDING BOND	30,090,000	0.864%	260,050
C55.14 METROPOLITAN WATER DISTRICT (1)	39,848,053	0.580%	<u>231,291</u>
Total Overlapping Debt			<u><u>\$ 9,538,777</u></u>

Fiscal Year 2011-12 Assessed Valuation:
\$2,186,941,589 After Deducting \$0 Incremental Value

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	0.44%
	Total Debt	0.44%

Notes:

(1) This fund is a portion of a larger agency and is responsible for debt in areas outside the City.

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the City. The City has issued no such bonds or instruments.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: Orange County Assessor and Auditor-Controller - Combined FY 2011-12 Lien Date Tax Rolls
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
OVERLAPPING DEBT
AS OF JUNE 30, 2021
(RATE PER \$100 OF TAXABLE VALUE)**

	Gross Bonded Debt Balance	Percent Applicable to City	Net Bonded Debt
Overlapping Debt			
628.01 CAPISTRANO UNION SFID#1 1999 EL #2012 REF	\$ 11,630,000	0.056%	\$ 6,471
629.01 CAPISTRANO UNION SFID#1 1999 BOND #2001B	4,383,396	0.056%	2,439
6AB.01 SADDLEBACK VALLEY USD 2004 BOND #2004A	18,680,000	7.136%	1,333,095
6AW.01 SADDLEBACK VALLEY USD 2004 SR 2007A	28,845,000	7.136%	2,058,519
6BM.01 LAGUNA BEACH USD 2010 GO REFUNDING BOND	15,920,000	0.864%	137,553
6CZ.01 SADDLEBACK VALLEY USD EL 2004, SR 2013A	45,900,000	7.136%	3,275,647
6DK.01 SADDLEBACK VALLEY USD GOB EL 2004, SR 2016A	8,630,000	7.136%	615,879
C55.14 METROPOLITAN WATER DISTRICT (1)	5,385,044	0.538%	28,946
Total Overlapping Debt			<u>\$ 7,458,549</u>

Fiscal Year 2020-21 Assessed Valuation:
\$3,523,161,396 After Deducting \$0 Incremental Value

Debt to Assessed Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	0.21%
	Total Debt	0.21%

Notes:

(1) This fund is a portion of a larger agency and is responsible for debt in areas outside the City.

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the City. The City has issued no such bonds or instruments.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: Orange County Assessor and Auditor-Controller - Combined FY 2020-21 Lien Date Tax Rolls
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
TOP TEN PROPERTY TAXPAYERS – FISCAL YEAR 2011-12
PRINCIPAL PROPERTY OWNERS BASED ON NET VALUES**

Owner	Secured			Unsecured		
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV
1) Federal National Mortgage Association*	36	\$ 227,424,635	10.56%			
2) United Laguna Hills Mutual*	66	\$ 225,482,047	10.47%	21	\$ 671,492	1.98%
3) NCB FSB*	8	\$ 84,519,232	3.93%			
4) Behringer Harvard San Sebastian	134	\$ 34,410,799	1.60%	1	\$ 1,498,496	4.41%
5) Avalon Regency LLC*	1	\$ 34,509,746	1.60%			
6) Avalon Las Palmas LLC*	2	\$ 27,189,496	1.26%			
7) Eshraghi Sorough Trust*	2	\$ 24,223,234	1.13%			
8) Raintree Realty LLC*	3	\$ 23,691,653	1.10%			
9) Chuck and Johanna R Linder*	1	\$ 22,771,440	1.06%			
10) Keith B Carpenter*	1	\$ 22,425,152	1.04%			
Top Ten Total	254	\$ 726,647,434	33.75%	22	\$ 2,169,988	6.39%
City Total		\$ 2,152,983,070			\$33,958,519	

Owner	Combined		Primary Use and Primary Agency
	Value	% of Net AV	
1) Federal National Mortgage Association*	\$ 227,424,635	10.40%	R
2) United Laguna Hills Mutual*	\$ 226,153,539	10.34%	R
3) NCB FSB*	\$ 84,519,232	3.87%	R
4) Behringer Harvard San Sebastian	\$ 35,909,295	1.64%	R
5) Avalon Regency LLC*	\$ 34,509,746	1.58%	C
6) Avalon Las Palmas LLC*	\$ 27,189,496	1.24%	C
7) Eshraghi Sorough Trust*	\$ 24,223,234	1.11%	R
8) Raintree Realty LLC*	\$ 23,691,653	1.08%	C
9) Chuck and Johanna R Linder*	\$ 22,771,440	1.04%	R
10) Keith B Carpenter*	\$ 22,425,152	1.03%	R
Top Ten Total	\$ 728,817,422	33.33%	
City Total	\$ 2,186,941,589		

R = Residential

C = Commercial

I = Institutional

AV = Assessed Value

*Pending Appeals on Parcels

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

Source: Orange County Assessor - FY 2011-12 Combined Tax Rolls and the SBE Non Unitary Tax Roll
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
TOP TEN PROPERTY TAXPAYERS – FISCAL YEAR 2020-21
PRINCIPAL PROPERTY OWNERS BASED ON NET VALUES**

Owner	Secured			Unsecured		
	Parcels	Value	% of Net AV	Parcels	Value	% of Net AV
1) United Laguna Hills Mutual	83	\$ 660,146,228	18.90%	76	\$ 3,267,842	10.59%
2) Behringer Harvard San Sebastian LP	131	\$ 105,761,308	3.03%			
3) Welltower Victory II Landlord LP*	3	\$ 95,222,192	2.73%			
4) Federal National Mortgage Association	3	\$ 64,645,258	1.85%			
5) GRE Development Inc.	2	\$ 60,751,107	1.74%			
6) Hallie Jean Rosenberg	1	\$ 41,536,296	1.19%			
7) Elvira Aguilar	1	\$ 34,505,841	0.99%			
8) Anthony J Morocco*	1	\$ 34,043,507	0.97%			
9) Robert James Salem*	1	\$ 33,231,479	0.95%			
10) Steve Adams	1	\$ 32,386,930	0.93%			
Top Ten Total	227	\$ 1,162,230,146	33.28%	76	\$ 3,267,842	10.59%
City Total		\$ 3,492,306,467			\$30,854,929	

Owner	Combined		Primary Use and Primary Agency
	Value	% of Net AV	
1) United Laguna Hills Mutual	\$ 663,414,070	18.83%	R
2) Behringer Harvard San Sebastian LP	\$ 105,761,308	3.00%	R
3) Welltower Victory II Landlord LP*	\$ 95,222,192	2.70%	C
4) Federal National Mortgage Association	\$ 64,645,258	1.84%	R
5) GRE Development Inc.	\$ 60,751,107	1.72%	R
6) Hallie Jean Rosenberg	\$ 41,536,296	1.18%	R
7) Elvira Aguilar	\$ 34,505,841	0.98%	R
8) Anthony J Morocco*	\$ 34,043,507	0.97%	R
9) Robert James Salem*	\$ 33,231,479	0.94%	R
10) Steve Adams	\$ 32,386,930	0.92%	R
Top Ten Total	\$ 1,165,497,988	33.08%	
City Total	\$ 3,523,161,396		

R = Residential

C = Commercial

I = Institutional

AV = Assessed Value

*Pending Appeals on Parcels

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

Source: Orange County Assessor - FY 2020-21 Combined Tax Rolls and the SBE Non Unitary Tax Roll
HdL, Coren & Cone

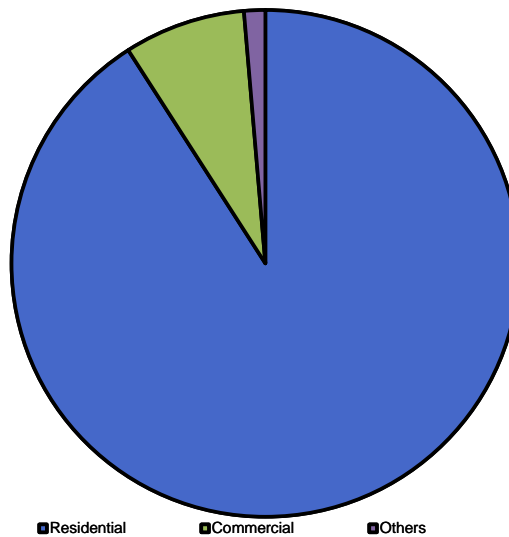
**CITY OF LAGUNA WOODS
PROPERTY USE CATEGORY SUMMARY – FISCAL YEAR 2020-21
BASIC PROPERTY VALUE TABLE**

Category	Secured				
	Parcels	Assessed Value	% of AV	Net Taxable Value	% of Net AV
Residential	6,618	\$ 3,207,426,261	90.3%	\$ 3,203,193,602	90.9%
Commercial	43	\$ 285,765,913	8.0%	\$ 272,452,847	7.7%
Industrial	3	\$ 12,927,501	0.4%	\$ 12,927,501	0.4%
Vacant	5	\$ 1,402,902	0.0%	\$ 1,402,902	0.0%
Exempt	247	\$ 8,362,701	0.2%	\$ -	0.0%
Cross Reference (1)	[37]	\$ 6,637,427	0.2%	\$ 2,329,615	0.1%
Unsecured (1)	[303]	\$ 30,727,500	0.9%	\$ 30,854,929	0.9%
Totals	6,916	\$ 3,553,250,205	100.0%	\$ 3,523,161,396	100.0%

Note:

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

NET TAXABLE VALUE



Source: Orange County Assessor - FY 2020-21 Combined Tax Rolls
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Taxes Levied Excluding VLF Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percent of Levy		Amount (1) & (2)	Percent of Levy
2012	\$ 408,142	\$ (4,757)	-1.17%	\$ 4,757	\$ -	0.00%
2013	421,164	(96,010)	-22.80%	96,010	-	0.00%
2014	417,701	(3,175)	-0.76%	3,175	-	0.00%
2015	457,287	(1,322)	-0.29%	1,322	-	0.00%
2016	295,957	231,501	78.22%	1,870	233,371	78.85%
2017	253,757	243,608	96.00%	2,309	245,917	96.91%
2018	269,934	260,584	96.54%	2,142	262,726	97.33%
2019	286,443	278,728	97.31%	2,147	280,875	98.06%
2020	298,789	291,321	97.50%	2,327	293,648	98.28%
2021	330,529	325,269	98.41%	3,168	328,437	99.37%

Notes:

(1) "Collections in Subsequent Years" includes the total amount of delinquent taxes collected in each fiscal year. The Orange County Auditor-Controller does not provide detailed information regarding the levy year to which delinquent tax collections pertain.

(2) Total collections in any year may exceed 100% due to collection reporting per Note 1 above and the fact that delinquent tax penalties collected are included in total reported collections.

Source: Orange County Auditor-Controller, "Tax Ledger - Detail" Report as of fiscal year-end.

FY 2016-17 and prior, compiled by the Orange County Auditor-Controller

FY 2017-18 and subsequent, compiled by Administrative Services from reports by the Orange County Auditor-Controller

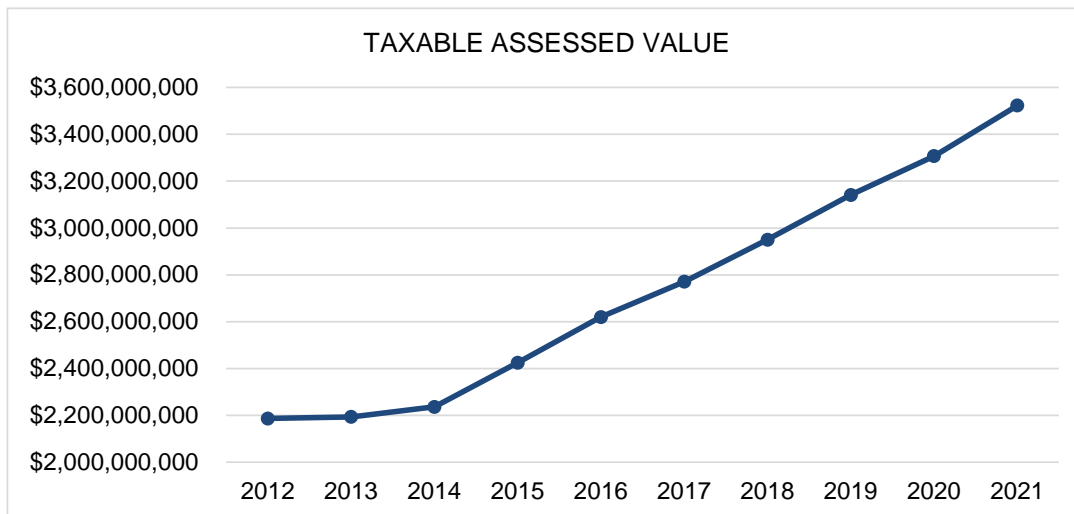
This page intentionally left blank.

**CITY OF LAGUNA WOODS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Secured	Unsecured	Taxable Assessed Value	Percentage Change
2012	\$ 2,152,983,070	\$ 33,958,519	\$ 2,186,941,589	-1.21%
2013	2,160,531,125	33,093,242	2,193,624,367	0.31%
2014	2,207,900,802	28,493,026	2,236,393,828	1.95%
2015	2,398,940,722	26,520,067	2,425,460,789	8.45%
2016	2,598,081,332	22,267,774	2,620,349,106	8.04%
2017	2,746,863,438	24,143,207	2,771,006,645	5.75%
2018	2,918,362,456	31,733,582	2,950,096,038	6.46%
2019	3,109,429,786	31,988,341	3,141,418,127	6.49%
2020	3,279,488,113	27,619,975	3,307,108,088	5.27%
2021	3,492,306,467	30,854,929	3,523,161,396	6.53%

Note:

In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.



Source: Orange County Assessor - 2011-12 through 2020-21 Combined Tax Rolls
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
TOP 25 SALES TAX PRODUCERS
FISCAL YEAR 2011-12**

<u>Business Name*</u>	<u>Business Category</u>
Adapt 2 It	Medical/Biotech
Carls Jr	Quick-Service Restaurants
Chilis	Casual Dining
CVS Pharmacy	Drug Stores
El Toro Pharmacy	Drug Stores
EZ Lube	Auto Repair Shops
Golden Rain Foundation	Government/Social Org.
Home Depot	Building Materials
Hometown Buffet	Casual Dining
Jack in the Box	Quick-Service Restaurants
Leisure World Mobil	Service Stations
Mothers Market	Grocery Stores
Moulton Mini Market	Service Stations
Moulton Mini Market	Service Stations
Officemax	Office Supplies/Furniture
Okon Dental Lab	Medical/Biotech
Olive Garden	Casual Dining
Rite Aid	Drug Stores
Saddleback Golf Cars	Boats/Motorcycles
Starbucks	Quick-Service Restaurants
Stater Bros	Grocery Stores
Subway	Quick-Service Restaurants
Sushi Wok	Casual Dining
Tomo Sushi	Casual Dining
Vons	Grocery Stores

Percent of Fiscal Year Total Paid by Top 25 Accounts = 96.15%

* Firms Listed Alphabetically

(Period: July 2011 through June 2012)

Source: State of California Board of Equalization, California Department of Taxes and Fees
Administration, State Controller's Office
The HDL Companies

**CITY OF LAGUNA WOODS
TOP 25 SALES TAX PRODUCERS
FISCAL YEAR 2020-21**

<u>Business Name*</u>	<u>Business Category</u>
19 Restaurant & Lounge	Casual Dining
Adapt 2 It	Medical/Biotech
Aldi	Grocery Stores
CVS Pharmacy	Drug Stores
Dollar Tree	Variety Stores
Firehouse Subs	Quick-Service Restaurants
Fortune Cookie Chinese Bistro	Casual Dining
Home Depot	Building Materials
Jack in the Box	Quick-Service Restaurants
Leisure World Mobil	Service Stations
Mother's Market	Grocery Stores
Moulton Arco	Service Stations
Okon Dental Lab	Medical/Biotech
Olive Garden	Casual Dining
Papa John's Pizza	Quick-Service Restaurants
PrestineHydro	Medical/Biotech
Rite Aid	Drug Stores
Sabrosada	Fast-Casual Restaurants
Saddleback Golf Cars	Boats/Motorcycles
South County Tennis	Sporting Goods/Bike Stores
Stage 21 Bikes	Sporting Goods/Bike Stores
Starbucks	Quick-Service Restaurants
Stater Bros	Grocery Stores
Tomo Sushi	Casual Dining
Trident Society Orange County	Morticians and Undertakers

Percent of Fiscal Year Total Paid by Top 25 Accounts = 95.83%

* Firms Listed Alphabetically

(Period: July 2020 through March 2021)

Source: State of California Board of Equalization, California Department of Taxes and Fees
Administration, State Controller's Office
Hinderliter, de Llamas & Associates

**CITY OF LAGUNA WOODS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(IN THOUSANDS OF DOLLARS)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Eating and Drinking Places	\$ 10,715	\$ 10,593	\$ 10,774	\$ 11,540
Other Retail Stores	62,455	64,142	66,770	65,839
All Other Outlets	<u>11,832</u>	<u>13,222</u>	<u>12,975</u>	<u>15,508</u>
Total sales	<u>\$ 85,002</u>	<u>\$ 87,957</u>	<u>\$ 90,519</u>	<u>\$ 92,887</u>

Notes:

Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Source: State Board of Equalization, California Department of Taxes and Fees Administration,
State Controller's Office, The HdL Companies

2015	2016	2017	2018	2019	2020
\$ 12,430	\$ 11,164	\$ 11,392	\$ 12,245	\$ 12,060	\$ 10,035
65,895	63,148	62,301	65,324	63,833	63,287
14,219	15,662	14,254	15,121	18,475	23,886
<u>\$ 92,544</u>	<u>\$ 89,974</u>	<u>\$ 87,947</u>	<u>\$ 92,690</u>	<u>\$ 94,368</u>	<u>\$ 97,208</u>

**CITY OF LAGUNA WOODS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>	<u>Median Age (2)</u>
2011	16,334	\$ 580,282	\$ 35,526	11.90%	78.0
2012	16,500	586,212	35,528	7.90%	77.1
2013	16,581	619,400	37,356	7.00%	76.4
2014	16,575	639,480	38,581	5.60%	75.7
2015	16,213	610,005	37,624	4.50%	74.5
2016	16,319	631,062	38,670	4.10%	74.9
2017	16,597	643,075	38,746	2.60%	75.5
2018	16,518	657,531	39,806	2.20%	75.3
2019	16,243	663,431	40,844	1.80%	75.4
2020	16,036	687,979	42,902	6.80%	75.6

Notes:

(1) Population: California State Department of Finance

(2) Income and Age Data: US Census Bureau, most recent American Community Survey

(3) Unemployment: California Employment Development Department

Sources: Data compiled from agencies as listed in the notes section above by
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
PRINCIPAL EMPLOYERS
CALENDAR YEAR 2019 AND NINE YEARS AGO**

2019 (1)		
Employer	Estimated Number of Employees	Percent of Total Employment
Laguna Woods Village	1,000	34.48%
State Bros. Markets, Inc.	80	2.76%
CIT Bank, National Association	68	2.34%
Countryside Inn-Corona, L.P.	60	2.07%
Rainbow Realty Corporation	65	2.24%

2010 (2)		
Employer	Estimated Number of Employees	Percent of Total Employment
Professional Community Management	1,000	37.04%
State Bros. Markets, Inc.	80	2.96%
OCB Restaurant Company	49	1.81%
Bellafaire Enterprises, Inc.	33	1.22%

Notes:

(1) Data represents calendar year 2019, calendar year 2020 data was unavailable.

(2) Data represents calendar year 2010, calendar year 2011 data was unavailable.

"Total Employment" as used above represents the total employment of all employers located within City limits per the State of California Employment Development Department.

Sources: D&B Hoovers Business Information Database, 2019 and Center for Demographic Research - 2020, Orange County Selectory, Harris InfoSource 2010 and Center for Demographic Research - 2010.

**CITY OF LAGUNA WOODS
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

Category	Fiscal Year Ended June 30,			
	2012	2013 as restated	2014 as restated	2015
Residential	\$ 1,934,950,643	\$ 1,938,957,534	\$ 1,982,057,711	\$ 2,171,362,601
Commercial	206,212,280	209,170,969	213,924,549	215,235,603
Industrial	9,858,815	10,055,990	9,939,949	10,184,717
Agricultural	73,218	74,682	76,175	76,520
Vacant	1,345,031	1,822,131	1,473,682	1,480,370
Cross Reference	543,083	449,819	428,736	600,911
Unsecured	33,958,519	33,093,242	28,493,026	26,520,067
Exempt (1)	[7,138,680]	[7,281,425]	[7,427,044]	[7,460,756]
Totals	<u>\$ 2,186,941,589</u>	<u>\$ 2,193,624,367</u>	<u>\$ 2,236,393,828</u>	<u>\$ 2,425,460,789</u>
Total Direct Rate	<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>

Notes:

(1) Exempt values are not included in totals.

In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Orange County Assessor - FY 2011-12 through FY 2020-21 Combined Tax Rolls
HdL, Coren & Cone

Fiscal Year Ended June 30,

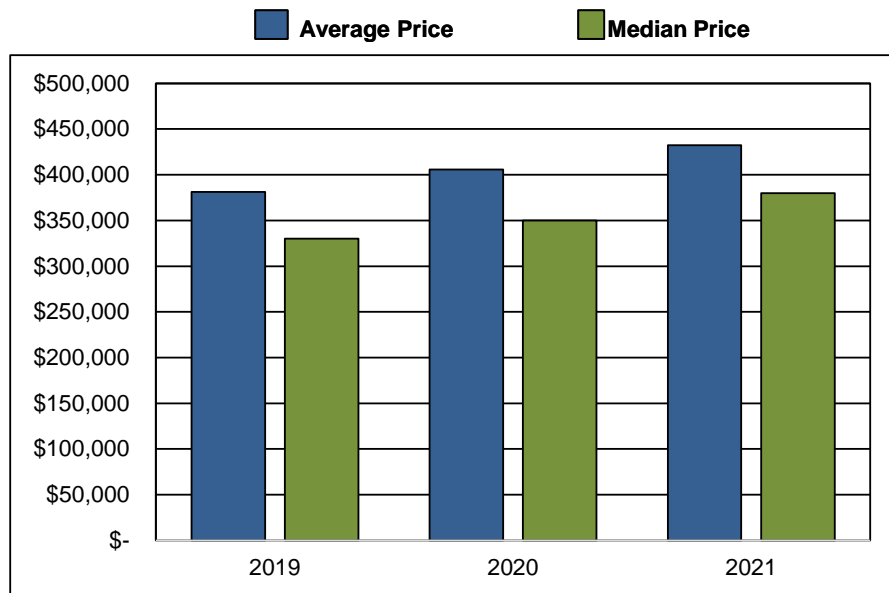
2016	2017	2018	2019	2020	2021
\$ 2,364,906,778	\$ 2,504,594,671	\$ 2,646,289,901	\$ 2,828,785,756	\$ 2,996,653,316	\$ 3,203,193,602
219,510,257	228,050,908	257,688,478	265,232,204	266,841,745	272,452,847
11,418,127	11,592,252	11,824,096	12,425,513	12,674,022	12,927,501
78,048	79,238	80,822	-	-	-
1,509,945	1,216,836	1,241,171	1,348,431	1,375,397	1,402,902
658,177	1,329,533	1,237,988	1,637,882	1,943,633	2,329,615
22,267,774	24,143,207	31,733,582	31,988,341	27,619,975	30,854,929
[7,609,792]	[7,725,834]	[7,882,362]	[8,039,999]	[8,198,736]	[8,362,701]
<u>\$ 2,620,349,106</u>	<u>\$ 2,771,006,645</u>	<u>\$ 2,950,096,038</u>	<u>\$ 3,141,418,127</u>	<u>\$ 3,307,108,088</u>	<u>\$ 3,523,161,396</u>
<u>0.00879</u>	<u>0.00879</u>	<u>0.00879</u>	<u>0.00877</u>	<u>0.00877</u>	<u>0.00912</u>

**CITY OF LAGUNA WOODS
SALES VALUE HISTORY
SINGLE FAMILY RESIDENTIAL FULL VALUE SALES
JANUARY 1, 2019 THROUGH JULY 31, 2021**

Year	Full Value Sales	Average Price	Median Price	Median % Change
2019	459	\$ 381,255	\$ 330,000	
2020	352	\$ 405,898	\$ 350,000	6.06%
2021	288	\$ 432,311	\$ 380,000	8.57%

Note:

Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.



Source: County of Orange Clerk-Recorder as of July 31, 2021 pre-release of final amounts.
HdL, Coren & Cone

**CITY OF LAGUNA WOODS
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government (1)	2.00	2.06	2.50	3.00	2.19	2.45	2.45	2.45	3.00	3.00
Administrative services	3.75	3.88	3.76	3.48	4.00	3.95	4.00	4.00	3.00	3.00
Community services (2)	1.00	1.00	1.00	1.00	0.42	-	-	-	-	-
Community development	2.20	2.13	2.00	1.00	0.38	1.00	1.00	1.00	1.00	2.00
Public safety (3)	1.00	0.13	0.13	-	-	-	-	-	-	-
Public works	-	-	-	-	0.63	1.00	1.00	1.00	2.00	1.00
Total	<u>9.95</u>	<u>9.20</u>	<u>9.39</u>	<u>8.48</u>	<u>7.62</u>	<u>8.40</u>	<u>8.45</u>	<u>8.45</u>	<u>9.00</u>	<u>9.00</u>

Notes:

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

Source: City of Laguna Woods, Administrative Services Department

**CITY OF LAGUNA WOODS
OPERATING INDICATORS
BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Activity initiated by -										
Calls for Service	2,767	2,722	2,829	2,852	2,835	2,682	2,525	2,587	2,421	2,300
Office/Field Initiated	439	434	350	387	683	957	636	723	1,158	1,790
Total Calls Handled	3,206	3,156	3,179	3,239	3,518	3,639	3,161	3,310	3,579	4,090
Arrests										
Part 1 Crimes	152	137	124	119	160	146	125	131	160	150
Part 2 Crimes	113	139	107	90	78	86	109	132	213	180
Fire:										
Number of calls answered (1)	4,717	4,748	4,306	4,847	5,321	5,636	5,333	5,342	5,390	3,868
Public works: (2)										
Street resurfacing (miles)	-	-	-	-	-	-	-	-	-	-

Notes:

- (1) The number of fire calls answered included incidents dispatched by the Orange County Fire Authority with ambulance response only. In fiscal year 2019-20 there were 423 such responses and in fiscal year 2020-21 there were 568. A new reporting system was implemented in fiscal year 2020-21 causing a decrease in the number of calls. This also caused a change in the policies and procedures around how incidents are "closed out."
- (2) The City currently tracks resurfaced areas in total, and not by year. As of June 30, 2021, there were 0.317 total square miles of streets that had been resurfaced.

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

**CITY OF LAGUNA WOODS
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police: (1)	-	-	-	-	-	-	-	-	-	-
Fire: (2)	-	-	-	-	-	-	-	-	-	-
Public works:										
Street (miles) (4)	5	5	5	5	5	5	5	5	5	5
Streetlights	221	221	221	221	221	221	221	221	221	221
Traffic signals	14	14	14	14	14	14	14	14	14	14
Parks and recreation:										
Parks	3	3	3	3	3	3	3	3	3	3
Water: (3)	-	-	-	-	-	-	-	-	-	-

Notes:

(1) The City contracts with the Orange County Sheriff's Department for law enforcement services.

(2) The City is a member of the Orange County Fire Authority.

(3) The City does not provide water services.

(4) All years have been updated to adjust total miles.

Source: City of Laguna Woods, Administrative Services Department



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