

CITY OF LAGUNA NIGUEL CALIFORNIA



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

**CITY OF LAGUNA NIGUEL
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2013**

CITY COUNCIL

**Robert Ming, Mayor
Linda Lindholm, Mayor Pro Tem
Laurie Davies, Council Member
Jerry McCloskey, Council Member
Jerry Slusiewicz, Council Member**

CITY MANAGER

Rod Foster

**Prepared by the Department of Finance
Stephen Erlandson, Director of Finance
Jarod Nozawa, Accounting Officer**

CITY OF LAGUNA NIGUEL

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF LAGUNA NIGUEL

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December 17, 2013

Honorable Mayor, Council Members, and Citizens of the City of Laguna Niguel

LETTER OF TRANSMITTAL 2012-2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

It is a pleasure to submit the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This report has been compiled and prepared by the City's Finance Department in accordance with generally accepted accounting principles. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Lance, Soll, & Lunghard, LLP, a firm of licensed certified public accountants. The independent auditor rendered an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

GENERAL INFORMATION ABOUT LAGUNA NIGUEL

The City of Laguna Niguel was incorporated on December 1, 1989. The City is a master-planned community encompassing 14.79 square miles in the coastal area of South Orange County, California. As of January 2013, the State of California Department of Finance listed the City's population as 64,065. The City is primarily a residential community supported by a strong retail and commercial base. Over one-third of Laguna Niguel's geographic area is permanently designated as parks and open space; this is one of the key features that define the character and form of the City.

Laguna Niguel is a General Law city and operates under the Council-Manager form of government. The City is governed by a five member City Council, which is elected at large and serves staggered four-year terms. City Council elections are held in November of even numbered years. The Mayor is annually selected by the City Council from among its membership, and serves a one-year term.

The City operates primarily as a "contract city" utilizing agreements with other governmental entities, private firms and individuals to provide most municipal services to the community. Fire services are provided through the Orange County Fire Authority, of which the City is a member, and police services are provided by the Orange County Sheriff's Department.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy. The City continued to feel the effects of the sluggish economy during FY 2012-2013, but there were signs of improvement. For the first time in four years the City's largest revenue source, property tax, experienced an increase over the prior fiscal year, signaling an improvement of the local housing market. Sales tax revenue, the City's second largest revenue source, experienced a slight decrease over prior year due primarily to decreased revenue from the automobile and building sectors. These results contributed to the City completing FY 2012-2013 in good financial health. Total General Fund operating revenues exceeded operating expenditures by \$10.3 million. At June 30, 2013, the City had healthy reserves for economic uncertainty, capital asset replacement, and compensable leave.

Going forward, economic forecast data for the State of California and Orange County predicts that the economy will continue on its current path of a somewhat slow recovery, but steady recovery with job growth and consumer

confidence being the biggest keys to sustained improvement. The State Legislative Analyst (LAO) currently predicts growth in personal income statewide of 5.4% to 5.8% annually over the next three years and annual retail sales growth of 4.6%. However, the LAO lowered their most current forecast for job growth to 1.0% per year for the next two years and foresees that the statewide unemployment rate will persist in the 8.7% to 9.6% range through 2014. California State University, Fullerton, in their most current forecast for Orange County, predicts the economy accelerating from an estimated 2.5% annual job-growth rate this year to 2.6% percent by 2014, resulting in the creation of 36,000 new jobs countywide this year and 37,000 new jobs in 2014. This expected job growth will drop Orange County's current average unemployment rate from 7.0% to 6.3% in 2014. The University further forecasts the County's median home price to increase by 7.0% to 10.0% next year.

Locally, the City's unemployment rate will likely continue to hover around 4.4%, and the City's growth in property tax revenue is expected to increase 2.3% in FY 2013-2014 compared to the previous year. Sales tax revenue is expected to increase in FY 2013-2014 primarily due to continued gains in job growth and consumer confidence forecasts. Retail sales for the period January 2013 through June 2013 are up 1.0% over the same time period in 2012. The City was able to adopt a budget for 2013-14 that maintains all existing service levels and programs and provides \$10.4 million for capital improvements, including \$3.2 million to maintain the quality of the streets enhanced by the City's original \$30 million, five-year Street Resurfacing Program.

State Budget. On June 27, 2013, the Governor signed the 2013-2014 Budget Act. Contrary to recent years in which the state faced multibillion-dollar deficits, this latest package reflects a significant improvement in the state's finances and forecasts a reserve of nearly \$1 billion, primarily a result of temporary taxes passed by the voters during the November 2012 election. The budget bill provides \$48.4 million in state-mandated local programs; however, it suspended 60 non-education mandates that impact local governments, including mandates related to absentee ballots, open meeting procedures, and animal shelters. When the Legislature suspends a mandate or the Governor vetoes its appropriation, (1) local governments are not required to implement its requirements and (2) the state may postpone paying its accumulated bills. Furthermore, budget trailer legislation passed in FY 2012-2013 specifies that for all mandates suspended in the 2012-2013 Budget Act, the period of suspension will continue through 2014-15.

Major Initiatives. Several significant projects are being planned, designed, or constructed over the next few years. These include:

Crown Valley Community Park Master Plan Improvements

The Crown Valley Community Park Master Plan was developed as the result of numerous meetings of the Crown Valley Park Master Plan subcommittee. The subcommittee developed a design concept for the park based on public input through meetings of the Park and Recreation Commission, stakeholder interviews, and surveys conducted of the general population, including the youth of the community. The total cost estimate for the project is \$31.8 million, with construction of the Tier I projects beginning in FY 2013-2014.

Oso Creek Multi-Use Trail

The Oso Creek Multi-Use Trail is located along the west side of Forbes Road on the easterly bank of Oso Creek, between Galivan Basin and the Laguna Niguel Metrolink Station. Trail improvements will include a paved bikeway, a soft-surface trail for pedestrians and horses, and a strip of landscaping separating the trails from Forbes Road. The total cost estimate for the project is \$3.0 million. The City has been awarded \$1.4 million in State Water Resources Control Board funding and \$883,300 in Orange County Transportation Authority (OCTA) funding for the project. The project is expected to be completed in FY 2014-2015.

Annual Street Resurfacing Program

The City embarked on a five-year \$30 million street improvement program during FY 2007-2008. This program upgraded or provided necessary maintenance to substantially every residential City street over a five year period. To maintain the City's streets in the enhanced condition resulting from the five-year street improvement program, the City is committed to appropriating \$3.2 million annually for annual street resurfacing.

Paseo de Colinas Seismic Retrofit

The Paseo de Colinas Overpass Bridge is located west of Interstate 5 and north of Avery Parkway. The project will provide for the seismic retrofit of the existing left and right bridges to prevent collapse of the structure under a Maximum Credible Earthquake (MCE). The total cost estimate for the project is \$3.6 million. The City is expected to receive \$3.2 million in Federal Highway Bridge Program grant revenue funding for this project through FY 2013-2014. This project is expected to be completed in FY 2013-2014.

Reserve Policy. The City's Financial Reserves Policy is reviewed on an annual basis for the purpose of providing fiscal stability and to ensure the long-term financial health of the City. It is the goal of management to maintain adequate reserve funds for known and unknown contingencies. As in prior years, this year's policy calls for maintaining a reserve for financial and economic uncertainty in an amount equal to no less than 50% of annual General Fund operating expenditures and operating transfers and a reserve for compensable accrued unused vacation and sick leave. The City Council may designate portions of the fund balance of the General Fund for future capital projects, continuing or carry-over appropriations, or any other municipal purpose that the City Council deems prudent or necessary. A reserve for capital assets and infrastructure replacement is to be maintained in an amount equal to the remaining General Fund balance after the economic uncertainty, compensable leaves and all other City Council allocations have been made. All fund balance classifications comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54 and are identified in Note 8 of the Notes to Financial Statements.

SUMMARY OF CURRENT YEAR ACCOMPLISHMENTS

Administration

During FY 2012-2013, the City Council and City Management:

- Completed recruitment and selection of a new City Manager.
- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2012.

Public Safety

The City and the Orange County Sheriff's Department believe in providing programs that proactively promote a safe city, as well as maintaining the quality of life expected by the citizens of Laguna Niguel. As such, the community and law enforcement relationship is further strengthened with the delivery of the following programs in FY 2012-2013:

- 17th Annual Citizen's Academy
- Third Annual National Night Out
- Citizen's Emergency Preparedness Academy (CEPA)
- Drug Take Back Days
- Senior Safety and Crime Prevention Programs

Community and Economic Development

During FY 2012-2013, the City continued to work with local businesses and property owners to maintain a healthy economic climate, and protect and increase local tax revenues. Significant events and activities included:

- Completion of entitlements for:
 - Crown Apartment Project – Mill Creek on Cabot Road in the Gateway Specific Plan with 284 apartment units (86 dwelling units per acre), including a 10% low affordable housing component;
 - Gateway Village Project on Forbes Road in the Gateway Specific Plan with 351 apartment units (69 dwelling units per acre) and 6,000 square feet of retail and a 5% very-low or 10% low affordable housing component;
 - Remodel and expansion of the Allen Cadillac, GMC and Hyundai Dealership on Camino Capistrano in the Gateway Specific Plan;
 - Crestavilla Retirement and Assisted Living Community and Shepard of the Hills Church on Niguel Road, including senior independent living, assisted living, memory care and a church facility.
- Completion of construction and opening of several restaurants throughout the City: Veggie Grill (Plaza De La Paz); Jamba Juice (Center at Rancho Niguel) and Signature Sports Bar and Restaurant (Town Center);
- Selection of a vendor (CRW) and commenced implementation of a new Land Use Management Software System (Trakit 9);
- Selection of design consultant and commenced concept designs for the update to the Master Sign Program for the Laguna Niguel Gateway Specific Plan;
- Completion of a Zoning Code Amendment to the Affordable Housing Density Bonus Section of the Zoning Code for consistency with State law; and,

- Preparation and submittal of the Draft 2013-2021 Housing Element Update to the State Housing and Community Development Department.
- Commencement of grading for the first two residential projects in the Gateway Specific Plan area, Career Lofts and Mill Creek.

Public Works and Infrastructure

The City completed \$11.0 million of public works and infrastructure investment during FY 2012-2013, including:

- Crown Valley Parkway Widening Project – Phase I
- Crown Valley Parkway Widening Project – Phase II
- Pavement Rehabilitation and Subdrain Improvements
- Citywide Street Resurfacing Program.

Parks and Recreation

During FY 2012-2013 the City:

- Adopted the Crown Valley Park Master Plan, and began the planning process to implement capital improvement projects.
- Coordinated the 12th Annual 9/11 Remembrance Event.
- Coordinated the Annual Holiday Parade, with approximately 10,000 people in attendance.
- Implemented new Trails to Adventure program to highlight the City's trail system.
- Constructed pickleball courts at Crown Valley Elementary School as part of Joint Use Agreement with CUSD.

FUTURE WORK PROGRAM INITIATIVES

Many of the City's priorities, projects, and programs will be continued throughout FY 2013-2014. Work Program highlights include:

- Appointing a Mayor and Mayor Pro Tem for 2014.
- Collaborating with the Council, City Manager, and Community Development Department on the strategic planning for the County Courthouse property.
- Conducting the bi-annual Citizen Satisfaction Survey.
- Providing quarterly "Laguna Niguel Disaster Ready" programs for Laguna Niguel residents.
- Presenting Safe City Plan Annual Report.
- Continuing implementation of the Gateway Specific Plan, including completing a developer impact fee study, completing and implementing a master sign and way-finding program, and collaborating with the Public Works Department on the final designs for the Oso Creek Trail.
- Completing adoption of the 2014-2021 City General Plan Housing Element Update.
- Completing implementation of a new land management and permitting software.
- Preparing funding application(s) for Measure M2 street and environmental projects.
- Commencing construction of the Paseo De Colinas Bridge Seismic Retrofit Project.
- Completing design and construction of the La Paz Road Pavement Rehabilitation Project.
- Soliciting proposals for street sweeping services.
- Completing construction of the Salt Creek Trail Enhancement Project.
- Collaborating with the Community Development, Public Works, and Parks and Recreation Departments on implementation of the Tier I Crown Valley Community Park Master Plan Improvements.

OTHER INFORMATION

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Niguel for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the 13th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for award consideration.

Acknowledgments. The preparation and development of this report would not have been possible without the continued support and encouragement of the Laguna Niguel City Council to maintaining the highest financial reporting standards. We thank you for your support, vision, and leadership.

Respectfully submitted:



Rod Foster
City Manager



Stephen Erlandson
Director of Finance



Government Finance Officers Association

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

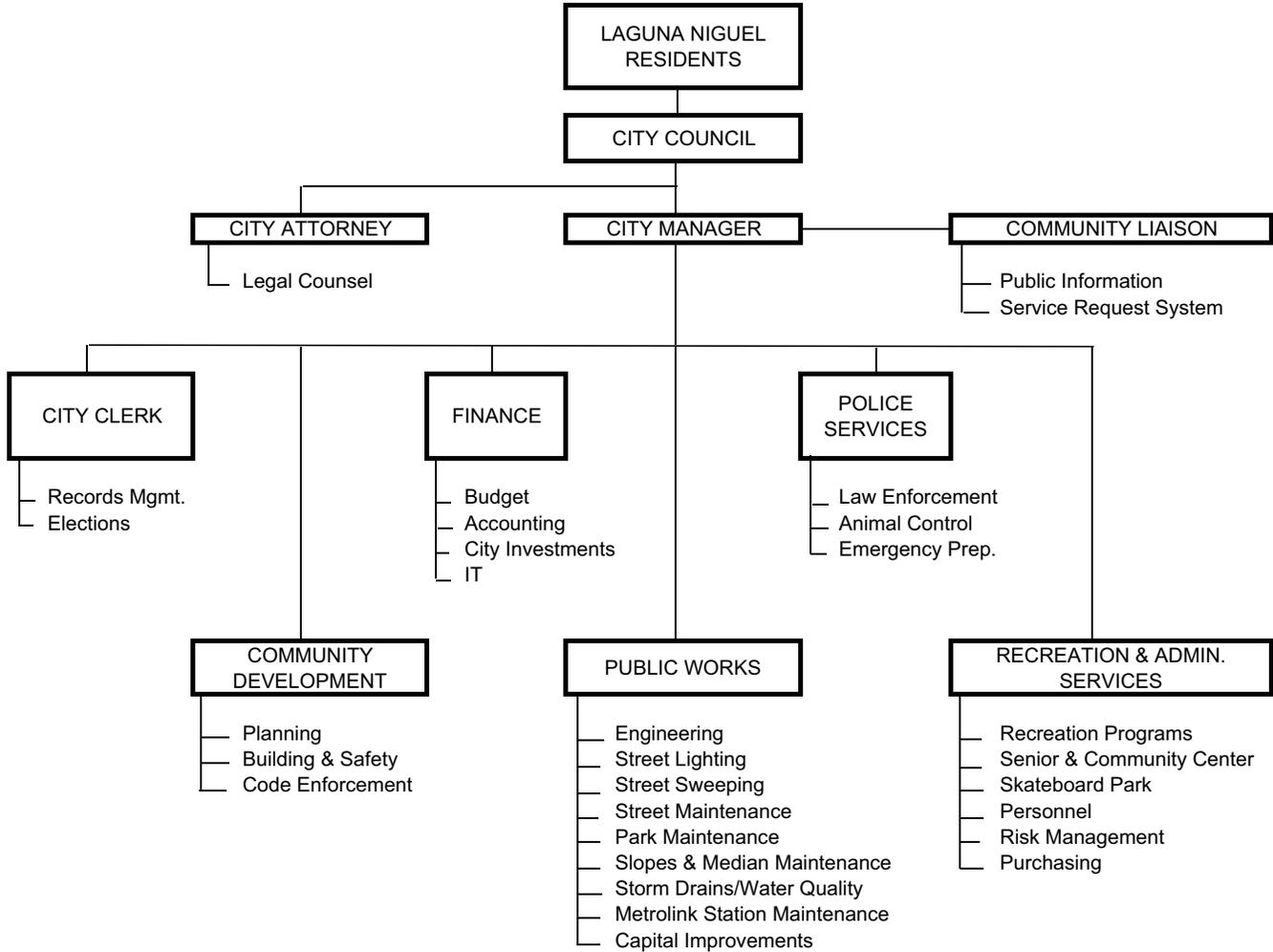
Presented to

**City of Laguna Niguel
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



CITY OF LAGUNA NIGUEL

**ELECTED OFFICIALS AND MANAGEMENT STAFF
JUNE 30, 2013**

CITY COUNCIL

Robert Ming, Mayor
Linda Lindholm, Mayor Pro Tem
Laurie Davies, Council Member
Jerry McCloskey, Council Member
Jerry Slusiewicz, Council Member

DEPARTMENT HEADS AND MANAGEMENT STAFF

City Manager.....Rod Foster

Deputy City Manager/Director of Recreation and
Administrative Services/Acting City Clerk..... Pamela Lawrence

City Attorney..... Terry Dixon

Director of Finance..... Stephen Erlandson

Director of Community Development..... Dan Fox

Director of Public Works/City Engineer/City Traffic Engineer..... Dave Rogers

Chief of Police Services (O.C. Sheriff Department)..... Lt. Matthew Barr

Community Liaison..... Tobi Thomas

Deputy Director of Recreation..... John Banks

Deputy Public Works Director/Assistant City Engineer..... Nick Renn

Planning Manager..... Jeff Gibson

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Laguna Niguel, 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 City of Laguna Niguel, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



To the Honorable Mayor and Members of the City Council
City of Laguna Niguel, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Niguel, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Miscellaneous Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



To the Honorable Mayor and Members of the City Council
City of Laguna Niguel, California

Prior-Year Comparative Information

The financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which such summarized information is derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 10, 2013

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CITY OF LAGUNA NIGUEL

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Laguna Niguel ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. Our intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the City. This analysis will focus on the significant changes in an effort to explain the City's overall financial condition. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to basic financial statements*. This report also consists of supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

- *Statement of Net Position*

The Statement of Net Position presents information on all of the City's assets and liabilities on a full accrual basis of accounting similar to that used by private-sector companies. The difference between assets and liabilities is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- *Statement of Activities*

The Statement of Activities presents information about the City's revenues and expenses on a full accrual basis, with an emphasis on measuring net revenues or expenses for each of the City's programs. This statement also reflects the change in net position for the year.

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 governmental activities of the City include general government, public safety, public works, community development, and parks and recreation. The City has no business-type activities.

The Government-wide financial statements can be found behind the tab section titled Government-Wide Financial Statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are divided into two categories: governmental funds and one proprietary fund.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

- *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has 9 governmental funds for financial reporting purposes, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's three major funds are: General Fund, Special Revenue – Miscellaneous Grants Fund, and Capital Projects – City Capital Projects Fund. Data from the non-major governmental funds (e.g., Gas Tax Fund, Measure M Fund, Air Quality Improvement Fund, Law Enforcement Fund, and Community Development Block Grant Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Supplementary Schedules.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison schedule has been provided for each of the funds to demonstrate compliance with this budget.

- *Proprietary Funds*

The proprietary fund used by the City is an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. A separate financial statement is provided for the Vehicle Replacement Internal Service Fund.

The fund financial statements can be found behind the tab section titled Fund Financial Statements.

Notes to Financial Statements

The notes provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found behind the tab section titled Notes to Financial Statements.

Required Supplementary Information

Required supplementary information includes budgetary information on the General Fund and Miscellaneous Grants Fund, as well as the budget process. Required supplementary information can be found behind the tab section titled Required Supplementary Information.

Supplementary Schedules

Supplementary schedules provide budgetary information on the City Capital Projects Fund, as well as detail about the non-major governmental funds, which are added together and presented in single columns in the fund financial statements. Supplementary schedules can be found behind the tab section titled Supplementary Schedules.

The following table summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain.

Major Features of the City's Government-Wide and Fund Financial Statements

Scope	Government-Wide <u>Statements</u> Entire City government	Fund Statements	
		<u>Governmental Funds</u> The activities of the City that are not proprietary	<u>Proprietary Funds</u> Activities the City operates similar to private businesses
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term debt	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term debt
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2013, by \$627.8 million. The amount is referred to as the net position of the City. Of this amount, \$72.9 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position, before consideration of a (\$645,782) prior period adjustment to reflect the City's Other Post-Employment Benefits (OPEB) liability, increased by \$8.5 million during the past year; that is, total revenues exceeded total expenses by \$8.5 million. After consideration of the prior period adjustment, the City's net position increased by \$7.8 million. This compares to the prior year increase of \$5.5 million. FY 2012-2013 revenue increased by \$3.3 million and expenses (primarily public works) increased by \$0.3 million compared to FY 2011-2012 levels.
- At the close of FY 2012-2013, the City's governmental funds reported combined ending fund balances of \$71.4 million, an increase of \$2.3 million compared to the prior year. Of the total \$71.4 million fund balances at year-end, \$68.9 million is available for spending at the government's discretion (the sum of the *committed*, *assigned* and *unassigned* fund balance categories reported on the accompanying financial statements).

- As of June 30, 2013, the total fund balance of the General Fund, the City's chief operating fund, totaled \$72.8 million.
- Of the total fund balance of the General Fund at June 30, 2013, the City Council has committed \$30.7 million for capital asset replacement and \$0.7 million for compensated absences, and has assigned \$19.5 million for continuing appropriations and \$7.1 million for streets and roads. In addition, the Council has set aside \$13.7 million for economic uncertainty, which is reported in these financial statements as unassigned fund balance.

FINANCIAL PERFORMANCE

Government-Wide Financial Analysis

The following analysis focuses on the net position and changes in net position of the City's governmental activities presented in the Government-Wide Statement of Net Position and Statement of Activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$627.8 million at June 30, 2013.

The following is a summary of the Government-Wide Statement of Net Position:

Governmental Activities			
Net Position at June 30			
(in millions)			
	2013	2012	Increase/ (Decrease) from 2012
Cash and investments	\$ 71.8	\$ 72.4	\$ (0.6)
Other assets	7.8	3.8	4.0
Capital assets	553.5	550.2	3.3
Total assets	633.1	626.4	6.7
Long-term debt outstanding	1.5	0.9	0.6
Other liabilities	3.8	5.5	(1.7)
Total liabilities	5.3	6.4	(1.1)
Net position:			
Invested in capital assets	553.5	550.2	3.3
Restricted	1.4	1.5	(0.1)
Unrestricted	72.9	68.3	4.6
Total net position, as restated	\$ 627.8	\$ 620.0	\$ 7.8

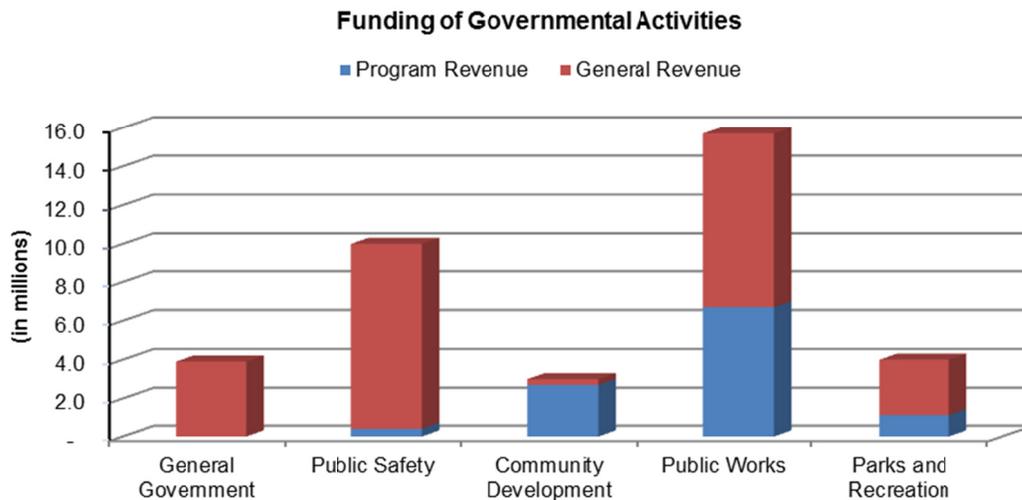
Before consideration of a (\$645,782) prior period adjustment to reflect the City's OPEB liability, the City's net position increased by \$8.5 million; however, after consideration of the prior period adjustment, the City's net position increased by \$7.8 million, or 1.2%, during FY 2012-2013. Assets increased \$6.7 million and liabilities decreased \$1.1 million compared to June 30, 2012. The increase in net position is due to increases other assets and capital assets. Other assets increased primarily due to OCTA Measure M2 grant funds owed to the City for phases I and II of the Crown Valley Parkway Widening Project. The most significant addition to capital assets in FY 2012-2013 was construction in progress related to phases I and II of the Crown Valley Parkway Widening Project. See the Capital Assets section of Management's Discussion & Analysis for additional information on capital project asset additions.

The following is a summary of the Government-Wide Statement of Activities:

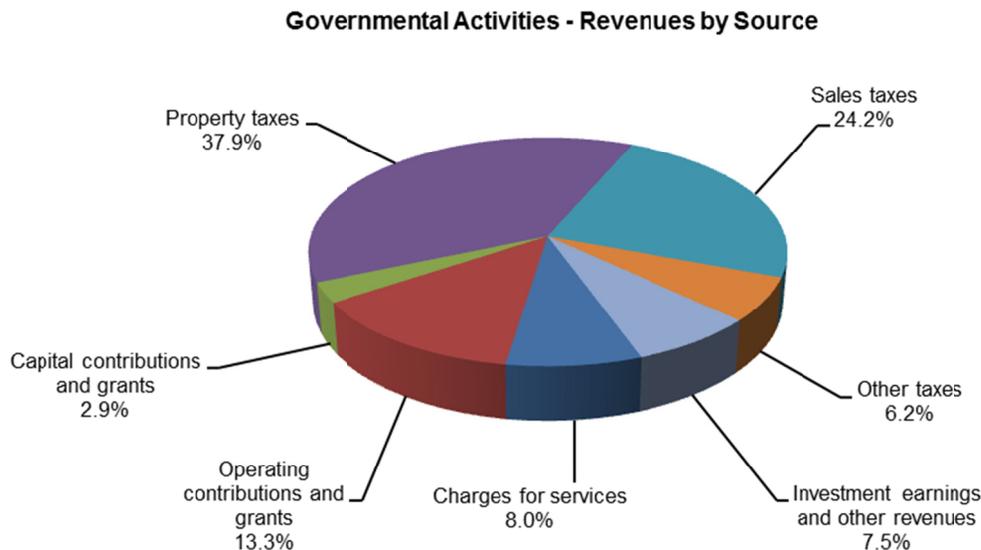
Governmental Activities			
Changes in Net Position for the Year Ended June 30			
(in millions)			
	<u>2013</u>	<u>2012</u>	Increase/ (Decrease) from 2012
Revenues:			
Program revenues:			
Charges for services	\$ 3.6	\$ 2.9	\$ 0.7
Operating contributions and grants	6.0	3.4	2.6
Capital contributions and grants	<u>1.3</u>	<u>3.9</u>	<u>(2.6)</u>
Total program revenues	<u>10.9</u>	<u>10.2</u>	<u>0.7</u>
General revenues:			
Property taxes	17.1	16.8	0.3
Sales taxes	10.9	11.0	(0.1)
Other taxes	2.8	2.7	0.1
Investment earnings	0.6	1.0	(0.4)
Other revenues	<u>2.8</u>	<u>0.1</u>	<u>2.7</u>
Total general revenues	<u>34.2</u>	<u>31.6</u>	<u>2.6</u>
Total revenues	<u>45.1</u>	<u>41.8</u>	<u>3.3</u>
Program expenses:			
General government	3.9	4.9	(1.0)
Public safety	10.0	9.9	0.1
Community development	3.0	4.0	(1.0)
Public works	15.7	13.4	2.3
Parks and recreation	<u>4.0</u>	<u>4.1</u>	<u>(0.1)</u>
Total expenses	<u>36.6</u>	<u>36.3</u>	<u>0.3</u>
Increase in net position	8.5	5.5	3.0
Beginning net position	620.0	615.3	4.7
Restatement of net position	<u>(0.7)</u>	<u>(0.8)</u>	<u>0.1</u>
Ending net position	<u>\$ 627.8</u>	<u>\$ 620.0</u>	<u>\$ 7.8</u>

The City's total revenues were \$45.1 million in FY 2012-2013, while the total cost of all programs was \$36.6 million. Total revenues increased by \$3.3 million, or 7.9%, from prior year levels and total expenses increased by \$0.3 million. FY 2012-2013 program revenue increased \$0.7 million from the prior year, a result of increases in charges for services related to building and safety fees for the Career Lofts and Mill Creek Gateway projects, as well as the Life Time Fitness center that is replacing the former Expo Design Center. The City also realized an increase of \$2.6 million in operating contributions and grants for street and trail related projects over the prior year; however this was offset by a decrease of \$2.6 million in capital contributions and grants over the same period. FY 2012-2013 general revenue also increased from the prior year. The \$2.6 million increase is primarily attributable to the receipt of shared-cost reimbursements from the City of Mission Viejo pertaining to the Crown Valley Widening Project – Phase I.

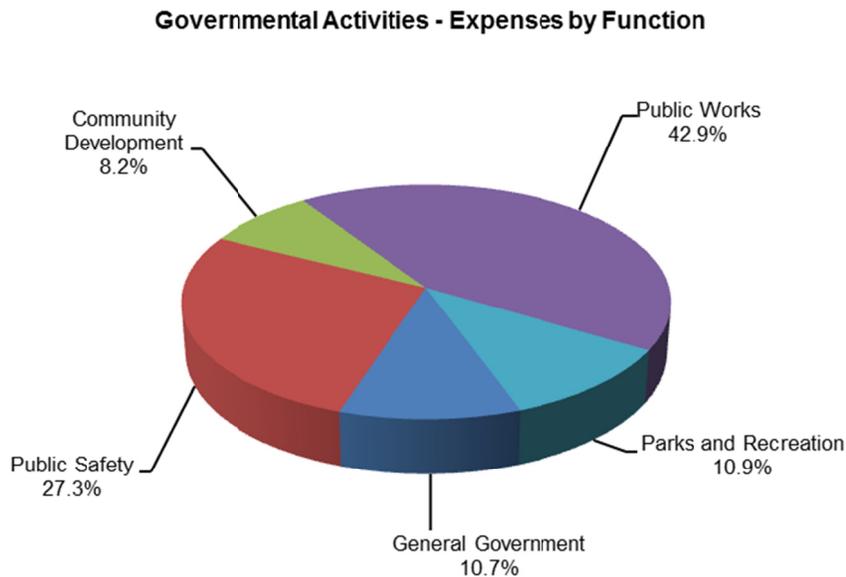
The cost of all governmental activities this year was \$36.6 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was \$25.7 million because some of the cost was paid by those who directly benefited from the programs (\$3.6 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$7.3 million). The following chart graphically depicts the amount of general revenue used in relation to program revenue in funding governmental activities.



Approximately 68.3% of all revenues this past year came from some form of tax, down from 73.1% in FY 2011-2012. This decrease is due to a 4.9% increase in investment earnings and other revenues resulting from cost recovery monies received from the City of Mission Viejo related to the Crown Valley Parkway Widening Project – Phase I. Property tax revenue, the City’s largest revenue source, accounted for 37.9% of total City revenue, compared to 40.3% last year. Sales tax revenue, including the ¼ cent of sales tax diverted by the State and paid to cities as additional property tax revenue, was the second largest revenue source at 24.2% of total revenues, down from 26.4% last year. The following chart graphically depicts the City’s governmental revenue sources.



The public works function represents the largest activity in the City, accounting for 42.9% of total expenses in FY 2012-2013, compared to 36.9% last year. Public works expenses include all street maintenance, sweeping, and lighting; median, park, and slope maintenance; storm drain/water quality maintenance; and Metrolink station maintenance. Public safety activities comprise the City's second largest function at 27.3%, and include police services, animal control, and emergency preparedness. The cost of police services provided by the Orange County Sheriff was approximately \$9.1 million in FY 2012-2013. The following chart graphically depicts the City's governmental expenses by function.



Fund Financial Analysis

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

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. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the sum of committed, assigned, and unassigned fund balance serves as a useful measure of a government's net resources available at its discretion for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a total combined ending fund balance of \$71.4 million, an increase of \$2.3 million, or 3.3%, in comparison with the prior year. Of the total combined ending fund balance, \$68.9 million, or 96.5%, is available for spending at the government's discretion. Of the remaining \$2.5 million, \$1.1 million is classified as nonspendable, indicating that it is not in spendable form (prepaid costs, employee loan, and deposits), and \$1.4 million is restricted, indicating that its use is constrained by externally imposed limitations to be spent for public safety, public works, and air quality improvement purposes.

The City's three major funds are the General Fund, Special Revenue – Miscellaneous Grants Fund, and Capital Projects – City Capital Projects Fund. A description and analysis of each fund is presented as follows:

- ***Miscellaneous Grants Special Revenue Fund*** – This fund accounts for revenues received and expenditures made for various City projects fully or partially funded by outside grants. Funding sources include the State of California and the Orange County Transportation Authority. The grants accounted for in this fund are predominantly reimbursement grants, for which the City first incurs the expenditures and then requests reimbursements from the grantors. As a result, this fund often reports a deficit fund balance, representing grant-related disbursements not yet reimbursed. Most of the grants accounted for in this fund are capital grants, the disbursements for which are recorded as transfers out to the City Capital Projects Fund. During the current fiscal year, revenues and transfers into the fund were \$1.4 million compared to expenditures and transfers out of \$3.7 million. As a result, the deficit fund balance increased by \$2.3 million, from \$624,687 to

\$2.9 million. The City expects to receive the \$2.9 million in grant reimbursements over the course of the next three fiscal years. The key factors for this increase were project costs, recorded in this fund as transfers out to the City Capital Projects Fund, pertaining to phases I and II of the Crown Valley Parkway Widening Project, the Paseo de Colinas Bridge Seismic Retrofit Project, and the Salt Creek Corridor Enhancement Project. These project costs were moderately offset by partial grant reimbursements related to the Crown Valley Parkway Widening Project – Phase II, the Paseo de Colinas Bridge Seismic Retrofit Project, and the Salt Creek Corridor Enhancement Project.

- City Capital Projects Fund – This fund accounts for all expenditures relating to City capital projects. Revenues and transfers into the fund generally equal actual expenditures on capital projects; therefore, this fund usually reflects no fund balance at the end of the year. Total expenditures and transfers into the fund were \$11.0 million for the current fiscal year, a decrease of \$1.7 million from the previous fiscal year. This decrease is primarily due to the completion of the permanent City Hall project in the prior fiscal year.

A number of capital projects budgeted in FY 2012-2013 and previous fiscal years were not yet finished at June 30, 2013, the largest being annual street resurfacing, the Paseo de Colinas bridge seismic retrofit, and the Laguna Niguel Gateway Specific Plan Improvement projects. The unexpended appropriations for these unfinished projects totaled \$19.3 million at year-end and were re-appropriated by the City Council on June 4, 2013.

- General Fund – This fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13.7 million, while total fund balance was \$72.8 million. General Fund revenues exceeded expenditures this year by \$10.3 million; however, the fund balance of the City's General Fund only increased by \$4.6 million, or 6.6%, during the current fiscal year due to \$5.7 million in transfers to the City Capital Projects. These transfers primarily funded phases I and II of the Crown Valley Parkway Widening Project and various projects related to Crown Valley Community Park and several of the City's neighborhood parks.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund revenue budget for FY 2012-2013 was \$34.1 million. During the course of the year, estimated revenues were increased by a net amount of \$1.7 million, resulting in a final revenue budget of \$35.8 million. The most significant increases are attributable to:

- \$700,000 of OCTA Regional Interchange Program Grant funds reimbursing the City for construction expenses related to the Crown Valley Parkway Widening Project – Phase I;
- \$300,000 of estimated cost sharing reimbursements from the City of Mission Viejo for their portion of the Crown Valley Parkway Widening Project – Phase I;
- \$174,000 of additional sales tax and “triple flip” backfill funds;
- \$885,000 of additional building and safety fee revenue; and
- \$150,000 of additional property tax revenue.

The original adopted General Fund operating budget for FY 2012-13 was \$28.8 million. The original budget was then modified by \$2.1 million to include carry-over encumbrances and the re-appropriation of previous year appropriations, for a total beginning operating budget of \$30.9 million. During the course of the fiscal year, total General Fund appropriations were increased by \$1.2 million, for a final amended budget of \$32.1 million. The most significant increases are attributable to additional building and safety services expenditures and professional services related to the Laguna Niguel Gateway Specific Plan.

The original adopted General Fund capital budget was \$5.3 million. The original budget was then modified by \$17.4 million to include carry-over encumbrances and the re-appropriation of previous year appropriations for a total beginning, General Fund capital budget of \$22.7 million. The final amended General Fund capital budget totaled \$23.0 million, a net increase of \$306,736 in mid-year budget adjustments. The amendment was due to the appropriation of additional cost sharing reimbursements expected to be received by the City of Mission Viejo for the joint Crown Valley Parkway Widening Project – Phase I.

Actual operating expenditures for the year were \$4.4 million less than the final operating budget. While some of this variance is due to conservative spending practices during the course of the fiscal year, the City has accumulated appropriations for certain operating programs or projects that were not completed by June 30, 2013. Appropriations for these uncompleted programs and projects were re-appropriated by the City Council on June 4, 2013 in the amount of \$2.1 million. Some of the more significant projects include public safety programs and initiatives (\$659,049), storm drain/water quality programs and initiatives (accumulated appropriation of \$808,605), and the purchase of furniture, equipment, and other capital assets for the furnishing of the expanded Senior and Community Center (accumulated appropriation of \$252,650).

Actual General Fund transfers out to the City Capital Projects Fund to fund capital project expenditures for the year were \$20.7 million less than the final budget. The entire balance of this amount was re-appropriated by the City Council on June 4, 2013 to continue funding the numerous multi-year capital projects previously approved by the City Council. Of this amount, \$11.6 million is for the Annual Street Resurfacing project and \$1.1 million is for the Laguna Niguel Gateway Specific Plan.

CAPITAL ASSETS

The table below presents all City capital assets, net of accumulated depreciation, including infrastructure. Infrastructure includes roads, sidewalks, traffic signals, bridges, storm drains, and similar assets used by the entire population.

	Capital Assets at June 30 (net of depreciation) (in millions)		
	2012	2012	Increase/ (Decrease) from 2012
Land	\$ 271.1	\$ 271.1	\$ -
Construction in progress	13.7	7.0	6.7
Buildings and improvements	42.2	43.3	(1.1)
Park improvements	8.6	8.5	0.1
Swimming pool	0.7	0.8	(0.1)
Furniture and equipment	0.5	0.6	(0.1)
Vehicles	0.2	0.2	-
Infrastructure	216.5	218.7	(2.2)
Total	<u>\$ 553.5</u>	<u>\$ 550.2</u>	<u>\$ 3.3</u>

The City's investment in capital assets, net of accumulated depreciation, increased \$3.3 million, or 0.6%, during FY 2012-2013. Significant capital asset events during the fiscal year included:

- increases in the construction in progress category for phases I and II of the Crown Valley Parkway Widening Project of \$5.7 million and \$.5 for the Salt Creek Corridor Enhancement Project; and
- infrastructure additions of \$1.9 million for sub-drain and overlay improvements related to the City's Annual Street Resurfacing Program.

The addition of capital assets was partially offset by total annual depreciation for the current fiscal year in the amount of \$6.5 million. For more information on the City's capital assets, refer to Note 4 of the Notes to Financial Statements.

DEBT ADMINISTRATION

As of June 30, 2013, the City had no outstanding debt.

NEXT YEAR'S BUDGET

The FY 2013-2014 General Fund budget is \$36.1 million, which is a 6.2% increase from the FY 2012-2013 adopted budget. This increase is primarily attributable to grants awarded to the City for construction of the Oso Creek Multi-Use Trail Project in the City's Gateway Project Area. General Fund estimated revenues exceed operating budget appropriations by \$6.4 million. The budget provides for a total transfer of \$6.3 million to the City Capital Projects Fund to meet capital needs. As part of its FY 2013-2014 mid-year budget review, the City Council will discuss the OPEB liability and the various funding alternatives available to adequately address these potential future costs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have questions about this report, or need additional financial information, please contact the Director of Finance, City of Laguna Niguel, 30111 Crown Valley Parkway, Laguna Niguel, California 92677.

CITY OF LAGUNA NIGUEL

STATEMENT OF NET POSITION
JUNE 30, 2013

	Total Governmental Activities	
	2013	2012
Assets:		
Cash and investments	\$ 71,780,574	\$ 72,352,896
Receivables:		
Accounts	578,179	530,216
Taxes	1,914,868	1,816,148
Employee loan	925,000	-
Interest	148,142	297,216
Permits	14,400	36,075
Prepaid costs	222,153	367,671
Deposits	1,960	1,960
Due from other governments	3,951,227	792,765
Capital assets not being depreciated	284,760,281	278,111,849
Capital assets, net of depreciation	268,774,029	272,086,987
Total Assets	633,070,813	626,393,783
Liabilities:		
Accounts payable	2,189,135	3,832,152
Accrued liabilities	262,050	273,661
Unearned revenue	177,418	177,418
Deposits payable	1,002,973	981,741
Due to other governments	1,507	-
Retention Payable	129,802	297,611
Noncurrent liabilities:		
Due within one year	563,047	182,391
Due in more than one year	962,771	671,571
Total Liabilities	5,288,703	6,416,545
Net Position:		
Net investment in capital assets	553,534,310	550,198,836
Restricted for:		
Community development	-	15
Public safety	280,129	279,242
Streets	782,342	856,606
Air quality improvement	300,312	295,413
Unrestricted	72,885,017	68,347,126
Total Net Position	\$ 627,782,110	\$ 619,977,238

CITY OF LAGUNA NIGUEL

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
					2013	2012
Functions/Programs						
Primary Government:						
Governmental Activities:						
General government	\$ 3,883,888	\$ -	\$ 10,126	\$ -	\$ (3,873,762)	\$ (4,948,194)
Public safety	9,966,910	232,009	137,838	-	(9,597,063)	(9,326,972)
Community development	3,034,523	2,221,118	459,389	-	(354,016)	(2,572,613)
Parks and recreation	4,001,047	1,098,177	68	11,620	(2,891,182)	(2,972,691)
Public works	15,665,526	17,304	5,354,978	1,296,408	(8,996,836)	(6,395,852)
Total Governmental Activities	\$ 36,551,894	\$ 3,568,608	\$ 5,962,399	\$ 1,308,028	(25,712,859)	(26,216,322)
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					17,139,167	16,820,273
Transient occupancy taxes					29,420	-
Sales taxes					10,845,297	11,044,440
Franchise taxes					2,301,967	2,320,351
Other taxes					470,367	404,659
Motor vehicle in lieu - unrestricted					34,687	33,476
Use of money and property					542,103	953,081
Other					2,800,505	92,106
Total General Revenues					34,163,513	31,668,386
Change in Net Position					8,450,654	5,452,064
Net Position at Beginning of Year					619,977,238	615,298,970
Restatement of Net Position					(645,782)	(773,796)
Net Position at End of Year					\$627,782,110	\$619,977,238

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CITY OF LAGUNA NIGUEL

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>
		<u>Miscellaneous Grants</u>	<u>City Capital Projects</u>	
Assets:				
Cash and investments	\$ 68,667,364	\$ -	\$ 777,404	\$ 1,405,412
Receivables:				
Accounts	578,179	-	-	-
Taxes	1,914,868	-	-	-
Interest	148,142	-	-	-
Permits	14,400	-	-	-
Employee loan	925,000	-	-	-
Prepaid costs	222,153	-	-	-
Deposits	1,960	-	-	-
Due from other governments	704,001	2,856,390	-	390,836
Due from other funds	2,896,181	-	-	-
Total Assets	\$ 76,072,248	\$ 2,856,390	\$ 777,404	\$ 1,796,248
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,459,681	\$ 22,190	\$ 470,184	\$ 237,080
Accrued salaries	262,050	-	-	-
Unearned revenues	-	-	177,418	-
Deposits payable	1,002,973	-	-	-
Due to other governments	1,507	-	-	-
Due to other funds	-	2,896,181	-	-
Retentions payable	-	-	129,802	-
Total Liabilities	2,726,211	2,918,371	777,404	237,080
Deferred inflows of resources:				
Unavailable revenues	501,367	2,845,296	-	55,590
Total Deferred Inflows of Resources	501,367	2,845,296	-	55,590
Fund Balances:				
Nonspendable:				
Prepaid costs	222,153	-	-	-
Employee loan	925,000	-	-	-
Deposits	1,960	-	-	-
Restricted for:				
Public safety	-	-	-	280,129
Public works	-	-	-	782,342
Air quality improvement	-	-	-	300,312
Committed to:				
Compensated absences	659,837	-	-	-
Capital Asset/Infrastructure	30,675,576	-	-	-
Assigned to:				
Continuing Appropriations	19,537,530	-	-	-
Streets and Roads	7,079,102	-	-	-
Senior Citizen Building	9,230	-	-	-
Unassigned	13,734,282	(2,907,277)	-	140,795
Total Fund Balances	72,844,670	(2,907,277)	-	1,503,578
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 76,072,248	\$ 2,856,390	\$ 777,404	\$ 1,796,248

CITY OF LAGUNA NIGUEL

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Total Governmental Funds	
	2013	2012
Assets:		
Cash and investments	\$ 70,850,180	\$ 71,479,595
Receivables:		
Accounts	578,179	530,216
Taxes	1,914,868	1,816,148
Interest	148,142	297,216
Permits	14,400	36,075
Employee loan	925,000	-
Prepaid costs	222,153	367,671
Deposits	1,960	1,960
Due from other governments	3,951,227	792,765
Due from other funds	2,896,181	630,912
	\$ 81,502,290	\$ 75,952,558
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 2,189,135	\$ 3,832,152
Accrued salaries	262,050	273,661
Unearned revenues	177,418	177,418
Deposits payable	1,002,973	981,741
Due to other governments	1,507	-
Due to other funds	2,896,181	630,912
Retentions payable	129,802	297,611
	6,659,066	6,193,495
Deferred inflows of resources:		
Unavailable revenues	3,402,253	684,442
	3,402,253	684,442
Fund Balances:		
Nonspendable:		
Prepaid costs	222,153	367,671
Employee loan	925,000	-
Deposits	1,960	1,960
Restricted for:		
Public safety	280,129	-
Public works	782,342	1,431,276
Air quality improvement	300,312	-
Committed to:		
Compensated absences	659,837	-
Capital Asset/Infrastructure	30,675,576	27,616,266
Assigned to:		
Continuing Appropriations	19,537,530	26,900,314
Streets and Roads	7,079,102	-
Senior Citizen Building	9,230	-
Unassigned	10,967,800	12,757,134
	71,440,971	69,074,621
Total Fund Balances	71,440,971	69,074,621
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 81,502,290	\$ 75,952,558

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CITY OF LAGUNA NIGUEL

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>2013</u>	<u>2012</u>
Fund balances of governmental funds	\$ 71,440,971	\$ 69,074,621
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	553,342,767	549,978,172
Compensated absences have not been included in the governmental fund activity.	(659,837)	(812,642)
CJPIA retrospective liability has not been included in the governmental fund activity.	-	(41,320)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	(865,981)	-
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	3,402,253	684,442
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	<u>1,121,937</u>	<u>1,093,965</u>
Net Position of governmental activities	<u>\$ 627,782,110</u>	<u>\$ 619,977,238</u>

CITY OF LAGUNA NIGUEL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Special	Capital	Other
		Revenue Fund	Projects Fund	
		Miscellaneous	City Capital	Funds
		Grants	Projects	
Revenues:				
Taxes	\$ 30,729,950	\$ -	\$ -	\$ -
Licenses and permits	2,058,568	-	-	-
Intergovernmental	98,455	1,358,316	-	3,062,284
Charges for services	1,098,177	-	-	-
Use of money and property	530,582	315	-	8,553
Fines and forfeitures	231,309	-	-	-
Contributions	13,188	-	-	-
Developer participation	163,250	-	-	-
Miscellaneous	2,800,505	-	-	-
Total Revenues	37,723,984	1,358,631	-	3,070,837
Expenditures:				
Current:				
General government	3,641,524	-	-	-
Public safety	9,862,963	-	-	99,823
Community development	2,906,236	49,810	-	66,553
Parks and recreation	3,250,443	-	-	-
Public works	7,647,799	-	-	1,127,477
Capital outlay	159,600	-	10,974,874	-
Total Expenditures	27,468,565	49,810	10,974,874	1,293,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,255,419	1,308,821	(10,974,874)	1,776,984
Other Financing Sources (Uses):				
Transfers in	34,881	-	10,974,874	-
Transfers out	(5,713,662)	(3,591,411)	-	(1,704,682)
Total Other Financing Sources (Uses)	(5,678,781)	(3,591,411)	10,974,874	(1,704,682)
Net Change in Fund Balances	4,576,638	(2,282,590)	-	72,302
Fund Balances, Beginning of Year	68,268,032	(624,687)	-	1,431,276
Fund Balances, End of Year	\$ 72,844,670	\$ (2,907,277)	\$ -	\$ 1,503,578

CITY OF LAGUNA NIGUEL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Total Governmental Funds	
	2013	2012
Revenues:		
Taxes	\$ 30,729,950	\$ 30,106,150
Licenses and permits	2,058,568	1,289,809
Intergovernmental	4,519,055	7,516,035
Charges for services	1,098,177	1,100,414
Use of money and property	539,450	961,201
Fines and forfeitures	231,309	374,666
Contributions	13,188	12,155
Developer participation	163,250	-
Miscellaneous	2,800,505	157,250
Total Revenues	42,153,452	41,517,680
Expenditures:		
Current:		
General government	3,641,524	4,514,765
Public safety	9,962,786	9,813,164
Community development	3,022,599	2,826,647
Parks and recreation	3,250,443	3,217,560
Public works	8,775,276	8,181,922
Capital outlay	11,134,474	12,668,248
Total Expenditures	39,787,102	41,222,306
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,366,350	295,374
Other Financing Sources (Uses):		
Transfers in	11,009,755	12,708,765
Transfers out	(11,009,755)	(12,708,765)
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	2,366,350	295,374
Fund Balances, Beginning of Year	69,074,621	68,779,247
Fund Balances, End of Year	\$ 71,440,971	\$ 69,074,621

CITY OF LAGUNA NIGUEL

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	<u>2013</u>	<u>2012</u>
Net change in fund balances - total governmental funds	\$ 2,366,350	\$ 295,374
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 costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	3,364,595	5,146,822
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	152,805	(71,905)
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense.	(220,199)	-
CJPIA retrospective deposit liability expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	41,320	(41,320)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	2,717,811	103,015
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	27,972	20,078
Change in net position of governmental activities	<u>\$ 8,450,654</u>	<u>\$ 5,452,064</u>

CITY OF LAGUNA NIGUEL

COMBINING STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013

	Governmental Activities - Internal Service Fund	
	Vehicle Replacement Fund	
	2013	2012
Assets:		
Current:		
Cash and investments	\$ 930,394	\$ 873,301
Total Current Assets	930,394	873,301
Noncurrent:		
Vehicles - net of accumulated depreciation	191,543	220,664
Total Noncurrent Assets	191,543	220,664
Total Assets	\$ 1,121,937	\$ 1,093,965
Net Position:		
Net investment in capital assets	191,543	-
Unrestricted	930,394	1,093,965
Total Net Position	\$ 1,121,937	\$ 1,093,965

CITY OF LAGUNA NIGUEL

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds	
	Vehicle Replacement Fund	
	2013	2012
Operating Revenues:		
Charges for services	\$ 103,826	\$ 111,653
Total Operating Revenues	103,826	111,653
Operating Expenses:		
Depreciation expense	78,508	95,058
Total Operating Expenses	78,508	95,058
Operating Income (Loss)	25,318	16,595
Nonoperating Revenues (Expenses):		
Interest revenue	2,654	10,536
Gain (loss) on disposal of capital assets	-	(7,053)
Total Nonoperating Revenues (Expenses)	2,654	3,483
Changes in Net Position	27,972	20,078
Net Position:		
Beginning of Year, as originally reported	1,093,965	1,073,016
Restatements	-	871
Beginning of Fiscal Year, as restated	1,093,965	1,073,887
End of Fiscal Year	\$ 1,121,937	\$ 1,093,965

CITY OF LAGUNA NIGUEL

**COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Governmental Activities - Internal Service Funds	
	Vehicle Replacement Fund	
	2013	2012
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 103,826	\$ 111,653
Net Cash Provided (Used) by Operating Activities	103,826	111,653
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(49,387)	-
Proceeds from sales of capital assets	-	4,749
Net Cash Provided (Used) by Capital and Related Financing Activities	(49,387)	4,749
Cash Flows from Investing Activities:		
Interest received	2,654	10,536
Net Cash Provided (Used) by Investing Activities	2,654	10,536
Net Increase (Decrease) in Cash and Cash Equivalents	57,093	126,938
Cash and Cash Equivalents at Beginning of Year	873,301	746,363
Cash and Cash Equivalents at End of Year	\$ 930,394	\$ 873,301
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 25,318	\$ 16,595
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	78,508	95,058
Total Adjustments	78,508	95,058
Net Cash Provided (Used) by Operating Activities	\$ 103,826	\$ 111,653

Non-Cash Investing, Capital, and Financing Activities:

There were no non-cash investing, capital, or financing activities during the year ended June 30, 2013.

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Note 1: Summary of Significant Accounting Policies

The basic financial statements of the City of Laguna Niguel, California (City) are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Prior-Year Summarized Comparative Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

a. Financial Reporting Entity

The City of Laguna Niguel was incorporated on December 1, 1989 under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City operates under a council-manager form of government and currently provides public safety, animal control, planning, building, code enforcement, engineering, street and park maintenance, street lighting, parks and recreation programs and general administrative services.

This report includes all fund types of the City of Laguna Niguel (the "primary government"). The City does not include any component units for fiscal year ended June 30, 2013. Component units are entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

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

The accounts of the City are organized on the basis of funds, each of which is considered 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.

Government-Wide Financial Statements

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. Governmental activities, which are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which are financed in whole or in part by

Note 1: Summary of Significant Accounting Policies (Continued)

fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The City has no business-type activities or discretely presented component units, and therefore, the statements reflect only activity from governmental activities.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets (as well as infrastructure assets) and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position through a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program or function, and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations have been made in the Statement of Activities so that internal payments to the Vehicle Replacement Fund do not duplicate certain vehicle depreciation expenses in the Vehicle Replacement Fund.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The City has presented all major funds that have met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for revenues subject to accrual, which are recognized when due. The City has a revenue recognition period of 60 days. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, franchise taxes, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed and revenue is recognized.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major governmental funds:

- General Fund - the City's primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.
- Miscellaneous Grants Fund - accounts for revenues received and expenditures made for various City projects fully or partially funded by outside grants. Funding sources include the State of California, the Orange County Transportation Authority and the U.S. Department of Energy.
- City Capital Projects Fund - accounts for the expenditures relating to the City's individual capital projects.

Additionally, the City reports non-major governmental funds. These non-major governmental funds are Special Revenue Funds which account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

The City has one proprietary fund, the Vehicle Replacement Internal Service Fund, which accounts for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

c. Investments

Investments are reported in the accompanying financial statements at quoted fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

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 53647.

d. Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents generally have an original maturity date of three months or less from the date of purchase. Cash equivalents also represent the proprietary fund's share in the cash and investments pool of the City.

e. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City's policy is to capitalize all assets with an initial, individual cost equal to or more than \$5,000 and all computer and digital equipment with a useful life of more than one year.

Capital assets, which include land, buildings and building improvements, park improvements, swimming pool, skate park bowl, furniture and equipment, vehicles, construction in progress and infrastructure assets (street systems, storm drains, bridges, etc.), are reported in the governmental activities column of the Government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation has been provided on capital assets in the Government-wide financial statements. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

accumulated depreciation, is reported on the Statement of Net Position as a reduction in the book value of capital assets. Depreciation is reported using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Asset	Years
Curbs, gutters, sidewalks, catch basins and manholes	100
Streets, street lights, storm drain, tunnel and bridges	75
Buildings and building improvements	45
Swimming pool and skatepark bowl	15-25
Park improvements	15
Furniture and equipment	5 - 10
Vehicles	3 - 10

f. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at 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. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January preceding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year, and are delinquent, if unpaid, on August 31.

g. Compensated Absences

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave, and 0%-50% of the value of unused sick leave depending on length of service.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of

Note 1: Summary of Significant Accounting Policies (Continued)

employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

h. Fund Balances

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Governmental Fund Financial Statement fund balances are classified in the following categories:

Nonspendable – Nonspendable fund balances are items that are not expected to be converted to cash, such as prepaid items and deposits, or items that are required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resources providers, such as grant providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed – Committed fund balances include amounts that can be used only for the specific purposes determined by formal action of the government's highest level of decision making authority, i.e. adoption of the annual City Financial Reserves Policy and resolutions. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The City Council is considered the highest authority for the City. Commitments of fund balance are specified in the City's Financial Reserves Policy which is reviewed and amended as appropriate on an annual basis by the City Council.

Assigned – Assigned fund balances comprise amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council is the body authorized to assign amounts to a specific purpose. In governmental funds, other than the General Fund, assigned fund balance represents all amounts that are not classified as restricted or committed. Resources in governmental funds other than the General Fund are to be used for the specific purpose of that fund.

Unassigned – Unassigned fund balance is a residual (surplus) classification used for the General Fund only and includes amounts not contained in the other classifications. Unassigned amounts in the General Fund are technically available for any purpose. If a governmental fund, other than the General Fund, has a fund balance deficit, it will be reported as a negative amount in the unassigned classification in that fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Spending Policy

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the City's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance:

- Restricted
- Committed
- Assigned
- Unassigned

i. Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities, revenues and expenditures, as well as contingent assets and liabilities. Actual results could differ from these estimates and assumptions.

j. 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.

k. Comparative Data

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to understand.

Note 2: Reconciliation of Government Wide and Fund Financial Statements

a. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The Balance Sheet – Governmental Funds includes a reconciliation between *Total Fund Balances – Total Governmental Funds* as reported in the statement and *Total Net Position - Governmental Activities* as reported in the Statement of Net Position. The following presents additional information related to the reconciliation:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Capital assets not being depreciated	\$ 284,760,281
Capital assets, net of depreciation	<u>268,582,486</u>
	<u><u>\$ 553,342,767</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 2: Reconciliation of Government Wide and Fund Financial Statements (Continued)

Unavailable Revenue

Earned but unavailable revenue is reported as a liability in the Balance Sheet - Governmental Funds but is reported as part of Net Position in the Statement of Net Position.

Grant revenue	\$ 3,007,334
Sales tax	134,344
Triple flip	260,575
	<u>\$ 3,402,253</u>

Internal Service Fund

An internal service fund is used by management for the financing of replacement vehicles to the City's fleet. The cost is allocated to various functions within the General Fund. The assets of the internal service fund are included in governmental activities in the Statement of Net Position. The fund had no liabilities at fiscal year-end.

Cash and investments	\$ 930,394
Capital assets, net of depreciation	191,543
	<u>\$ 1,121,937</u>

b. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds includes a reconciliation between *Net Change in Fund Balances - Total Governmental Funds* as reported in the statement and *Change in Net Position - Governmental Activities* as reported in the Statement of Activities. The following presents additional information related to the reconciliation:

Capital Related Items

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

Current year capital assets	\$ 9,790,949
Current year depreciation	(6,422,760)
Current year deletions	(3,594)
	<u>\$ 3,364,595</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 2: Reconciliation of Government Wide and Fund Financial Statements (Continued)

Unavailable Revenue

The City earns a certain amount of revenue from sales tax and grants that is not considered available under the modified accrual basis of accounting. Therefore this revenue is not recognized as revenue in the fund financial statements. However, this revenue is recognized in the Statement of Activities in the year earned.

Current year unavailable revenue	\$ 3,402,253
Prior year unavailable revenue	(684,442)
	<u>\$ 2,717,811</u>

Internal Service Fund

An internal service fund is used by management for the financing of replacement vehicles. The cost is allocated to various functions within the General Fund. The activity of the internal service fund is not included in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, but is included in the Government-wide Statement of Activities.

Charges for services	\$ 103,826
Use of money and property	2,654
Depreciation expense	(78,508)
	<u>\$ 27,972</u>

Note 3: Cash and Investments

Cash and investments consisted of the following at June 30, 2013:

Cash and cash equivalents:	
Cash on hand	\$ 450
Demand Deposits	1,583,269
Total cash and cash equivalents	<u>1,583,719</u>
Investments:	
Certificate of deposit	59,605
U.S. Treasury money market mutual fund	7,336
Public money market mutual fund	14
State Local Agency Investment Fund (LAIF)	26,273,222
California Asset Management Program (CAMP)	14,947,985
Investment Trust of California (CalTRUST)	14,422,203
U.S. Treasury Notes	1,018,750
Federal Agency securities	13,467,740
Total investments	<u>70,196,855</u>
Total cash and cash equivalents	<u>\$ 71,780,574</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 3: Cash and Investments (Continued)

Investments Authorized by 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 Section 53601 and the City's investment policy, which is more restrictive. The table also identifies certain provisions of the California Government Code and the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Max. Investment in one Issuer (at cost)
U.S. Treasury Obligations	5 Years	None	None
Federal Agency Securities	5 Years	60%	25%
California Asset Management Program (CAMP)	N/A	20%	\$ 15 Million
Investment Trust of California (CalTRUST)	N/A	20%	15 Million
State Local Agency Investment Fund (LAIF)	N/A	40%	40 Million
Insured Certificates of Deposit	5 Years	30%	250,000
Insured Money Markey Accounts	N/A	None	None
U.S. Treasury Money Market Mutual Funds	N/A	20%	10%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total Investment	Remaining Maturity (in months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury Notes	\$ 1,018,750	\$ 1,018,750	\$ -	\$ -
Federal Agency securities	13,467,740	5,106,110	4,158,270	4,203,360
U.S. Treasury money market fund	7,336	7,336	-	-
Public money market mutual fund	14	14	-	-
Certificates of deposit	59,605	59,605	-	-
CAMP	14,947,985	14,947,985	-	-
CalTRUST	14,422,203	14,422,203	-	-
LAIF	26,273,222	26,273,222	-	-
Totals	<u>\$70,196,855</u>	<u>\$61,835,225</u>	<u>\$ 4,158,270</u>	<u>\$ 4,203,360</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 3: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, and the actual rating as of the year end for each investment type:

Investment Type	Total Investment	Min. Legal Rating	Not Required	Rating as of Year End	
				AAA	Unrated
U.S. Treasury Note	\$ 1,018,750	N/A	\$ 1,018,750	\$ -	\$ -
Federal Agency Securities	13,467,740	N/A	-	13,467,740	-
U.S. Treasury MMF	7,336	N/A	-	7,336	-
Public MMF	14	N/A	-	14	-
C.D.s	59,605	N/A	-	59,605	-
CAMP	14,947,985	N/A	-	14,947,985	-
CalTRUST	14,422,203	N/A	-	14,422,203	-
LAIF	26,273,222	N/A	-	-	26,273,222
Totals	\$70,196,855		\$ 1,018,750	\$ 42,904,883	\$ 26,273,222

Concentration of Credit Risk

The investment policy of the City contains a limitation on the amount that can be invested in any one issuer of Federal Agency securities to a maximum of 25% of total investments. The City was in compliance with this limitation at June 30, 2013, and throughout the fiscal year.

Investments in any one issuer that represent 5% or more of total City investments at June 30, 2013 are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency securities	\$ 5,214,000
Federal Home Loan Mortgage Corp.	Federal Agency securities	4124,670
CAMP	Investment pool	14,947,985
CalTRUST	Investment pool	14,422,203
LAIF	Investment pool	26,273,222

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. The California

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 3: Cash and Investments (Continued)

Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than as follows. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the City. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the secured City deposits. The City's investment policy requires delivery vs. payment procedures and that all securities be held in third-party safekeeping by a custodial financial institution.

As of June 30, 2013, all of the City's deposits with financial institutions in excess of Federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law. In addition, all investments were held by the third-party safekeeping institution.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, other asset-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes.

California Asset Management Program

The City is a voluntary participant in the California Asset Management Program (CAMP). CalTRUST is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies that are participants in the Trust. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. CAMP is not registered with the Securities and Exchange Commission.

Investment Trust of California

The City is a voluntary participant in the Investment Trust of California Short-Term Fund (CalTRUST). CalTRUST is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 3: Cash and Investments (Continued)

and surplus funds. The Trust's activities are directed by a Board of Trustees, all of whom are employees of the California public agencies that are participants in the Trust. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 and 53635 of the California Government Code. The City reports investments in CalTRUST at the fair value amounts provided by

CalTRUST, which is the same as the value of the pool share. CalTRUST is not registered with the Securities and Exchange Commission.

Note 4: Capital Assets

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Land	\$ 271,068,667	\$ -	\$ -	\$ 271,068,667
Construction in progress	7,043,182	6,648,432	-	13,691,614
Total non-depreciable assets	<u>278,111,849</u>	<u>6,648,432</u>	<u>-</u>	<u>284,760,281</u>
Depreciable assets:				
Buildings and improvements	48,858,052	80,954	-	48,939,006
Park improvements	24,598,868	1,068,088	-	25,666,956
Swimming pool	2,374,435	28,367	-	2,402,802
Furniture and equipment	1,315,716	16,997	(42,991)	1,289,722
Vehicles	1,027,207	49,387	(50,293)	1,026,301
Infrastructure	313,960,076	1,948,111	-	315,908,187
Total depreciable assets	<u>392,134,354</u>	<u>3,191,904</u>	<u>(93,284)</u>	<u>395,232,974</u>
Less accumulated depreciation:				
Buildings and improvements	(5,615,454)	(1,092,072)	-	(6,707,526)
Park improvements	(16,111,497)	(1,029,575)	-	(17,141,072)
Swimming pool	(1,581,210)	(104,592)	-	(1,685,802)
Furniture and equipment	(697,328)	(169,691)	39,397	(827,622)
Vehicles	(806,543)	(78,508)	50,293	(834,758)
Infrastructure	(95,235,335)	(4,026,830)	-	(99,262,165)
Total accumulated depreciation	<u>(120,047,367)</u>	<u>(6,501,268)</u>	<u>89,690</u>	<u>(126,458,945)</u>
Total depreciable assets, net	<u>272,086,987</u>	<u>(3,309,364)</u>	<u>(3,594)</u>	<u>268,774,029</u>
Governmental activities capital assets, net	<u>\$ 550,198,836</u>	<u>\$ 3,339,068</u>	<u>\$(3,594)</u>	<u>\$ 553,534,310</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 4: Capital Assets (Continued)

Infrastructure assets comprise a significant portion of capital assets. Infrastructure assets are further identified by type as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Infrastructure assets:				
Streets	\$ 279,362,371	\$ 1,919,905	\$ -	\$ 281,282,276
Storm drains	20,500,041	28,206	-	20,528,247
Traffic signals	10,229,533	-	-	10,229,533
Bridges	2,683,091	-	-	2,683,091
Trails	1,185,040	-	-	1,185,040
Total infrastructure assets	<u>313,960,076</u>	<u>1,948,111</u>	<u>-</u>	<u>315,908,187</u>
Less accumulated depreciation:				
Streets	(82,101,512)	(3,519,708)	-	(85,621,220)
Storm drains	(7,889,879)	(272,843)	-	(8,162,722)
Traffic signals	(2,796,438)	(135,665)	-	(2,932,103)
Bridges	(1,389,788)	(34,954)	-	(1,424,742)
Trails	(1,057,718)	(63,660)	-	(1,121,378)
Total accumulated depreciation	<u>(95,235,335)</u>	<u>(4,026,830)</u>	<u>-</u>	<u>(99,262,165)</u>
Total infrastructure assets, net	<u>\$ 218,724,741</u>	<u>\$ (2,078,719)</u>	<u>\$ -</u>	<u>\$ 216,646,022</u>

Depreciation expense was charged to the City's programs as follows:

Governmental activities:	
General government	\$ 75,240
Public safety	14,014
Community development	10,313
Public works	5,567,969
Parks and recreation	755,224
Internal service fund	78,508
Total depreciation expense – governmental activities	<u>\$ 6,501,268</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 5: Interfund Activity

The composition of interfund balances as of June 30, 2013, is as follows:

Interfund receivables/payables:

Due from:

Miscellaneous Grants Fund	\$ 2,896,181
Total due to General Fund	<u>\$ 2,896,181</u>

All interfund balances are short-term in nature and are expected to be repaid within one year. The Miscellaneous Grants fund had negative cash balances at June 30, 2013. These amounts have been reclassified as interfund receivables/payables for financial statement purposes.

	Transfers in		
	General Fund	City Capital Projects Fund	Totals
Transfers out:			
General Fund	\$ -	\$ 5,711,657	\$ 5,711,657
Miscellaneous Grants Funds	-	3,591,411	3,591,411
Nonmajor Governmental Funds	34,881	1,669,801	1,704,682
Total transfers out	<u>\$ 34,881</u>	<u>\$ 10,972,869</u>	<u>\$ 11,007,750</u>

Most transfers relate to capital projects. Total capital project transfers were \$10,972,869. The City accounts for all capital projects in a separate fund. These projects are approved through the annual budget process and each project is approved with an identified funding source(s). Most funding sources are identified as the General Fund, with the remainder funded by restricted revenue sources (e.g. Measure M, Prop 1B, CDBG, etc.).

Note 6: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 812,642	\$ 524,767	\$ (677,572)	\$ 659,837
CJPIA retrospective liability	41,320	-	(41,320)	-
Net OPEB Obligation	<u>645,782</u>	<u>220,199</u>	<u>-</u>	<u>865,981</u>
Total long-term liabilities	<u>\$ 1,499,744</u>	<u>\$ 744,966</u>	<u>\$ (718,892)</u>	<u>\$ 1,525,818</u>

Note 6: Long-term Liabilities (Continued)

Of the balance due for compensated absences, the amount of the ending balance that is due within one year is \$563,047. Payments for compensated absences and net OPEB obligation are recorded in the General Fund.

Note 7: Liability, Property, and Workers' Compensation Plan

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Laguna Niguel 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 operates through a nine-member Executive Committee.

Self-Insurance Programs of the Authority

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

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

a. Liability Program

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

Note 7: Liability, Property, and Workers' Compensation Plan (Continued)

fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

CJPIA Retrospective Deposit Liability

Retrospective deposits and refunds are cost allocation adjustments to prior coverage periods. Some claims take many years to resolve and over time their estimated value changes. The retrospective adjustments are calculated annually and take into consideration all the changes in claim values that occurred during the most recent year. The formula is designed to adequately cover the cost of claims brought against members and to ensure the overall financial strength and security of the Authority. The formula was developed to be as equitable as possible by taking into consideration both risk exposure and claims experience of individual members. CJPIA has temporarily deferred the payment on retrospective deposits owed to the Authority by Members. The payment deferral period extends until July 1, 2013 for the Liability program and July 1, 2015 for the Workers' Compensation program. Retrospective deposit payments are scheduled to resume on these dates. The October 2011 annual retrospective adjustment is included in these balances. The City at June 30, 2013, had a liability program retrospective deposit due of \$0.

Optional Payment Plans

When retrospective deposit payments resume as indicated above, members will have the opportunity to select from a variety of optional payment plans. Discounts under the incentive plan are available to members choosing to voluntarily accelerate payment during the deferral period. The City has chosen not to voluntarily accelerate payment at this time.

After the deferral period, members choosing from among the optional payment plans will be subject to a moderate annual fee. The fee is intended to provide a means for the Authority to recover otherwise foregone investment earnings and to serve as a minor disincentive for the selection of longer financing terms.

Retrospective Balances will Change Annually

Retrospective balances will change with each annual computation during the payment deferral period. Member balances may increase or decrease as a result of the most recent year's claim development. Accordingly, some members who chose to pay off their balance in full may be required to pay additional retrospective deposits in the future based on the outcome of actual claim development reflected in subsequent retrospective deposit computations. Conversely, if claim development is favorable then subsequent retrospective adjustments could potentially result in refunds to the member.

More information on the CJPIA retrospective balances can be found on the CJPIA website at CJPIA.org.

Note 7: Liability, Property, and Workers' Compensation Plan (Continued)

b. Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

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

CJPIA Refund Balances Long-term Receivable

Retrospective deposits and refunds are cost allocation adjustments to prior coverage periods. Some claims take many years to resolve and over time their estimated value changes. The retrospective adjustments are calculated annually and take into consideration all the changes in claim values that occurred during the most recent year. The formula is designed to adequately cover the cost of claims brought against members and to ensure the overall financial strength and security of the Authority. The formula was developed to be as equitable as possible by taking into consideration both risk exposure and claims experience of individual members. CJPIA has temporarily deferred the payment on retrospective deposits owed to the Authority by members. The payment deferral period extends until July 1, 2013 for the Liability program and July 1, 2015 for the Workers' Compensation program. Retrospective deposit payments are scheduled to resume on these dates. The October 2011 annual retrospective adjustment is included in these balances. The City at June 30, 2013, had a retrospective refund due to the City in the amount of \$67,813.

During the payment deferral period, members with a retrospective refund balance will receive a portion of the balance as a credit against other charges on the annual contribution invoice. For the FY 2012-2013 coverage year, the refund amount will be 25%. The percentage to be refunded in future years will be set on an annual basis by the Executive Committee of CJPIA. Once the payment deferral period has concluded in each program, subsequent retrospective refund adjustments will be applied in full (100%) as a credit on the annual contribution invoice.

More information on the CJPIA retrospective balances can be found on the CJPIA website at CJPIA.org.

Note 7: Liability, Property, and Workers' Compensation Plan (Continued)

Purchased Insurance

The City also purchases insurance through the Authority and other insurance brokers for the following programs:

c. Pollution Legal Liability Insurance

The City of Laguna Niguel participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Laguna Niguel. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

d. Property Insurance

The City of Laguna Niguel participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Laguna Niguel property is currently insured according to a schedule of covered property submitted by the City of Laguna Niguel to the Authority. City of Laguna Niguel property currently has all-risk property insurance protection in the amount of \$42,469,599. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

e. Earthquake and Flood Insurance

The City of Laguna Niguel purchases earthquake and flood insurance on a portion of its property through an insurance broker. City of Laguna Niguel property currently has earthquake protection in the amount of \$36 million. There is a deductible of 5% per unit of value for the earthquake insurance. The flood insurance requires a minimum deductible of \$50,000 on the City Hall and Sea County Senior and Community Center properties and a minimum deductible of \$100,000 on the YCMA property.

f. Crime Insurance

The City of Laguna Niguel purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

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 FY 2012-2013.

Note 8: Classification of Net Position and Fund Balance

Net Position

Net Position is the excess of all the City's assets over all its liabilities, regardless of fund. Net Position are classified into three categories as follows:

- Invested in capital assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, including infrastructure.
- Restricted Net Position describes the portion of Net Position, which is restricted as to use by the terms and conditions of agreements with creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position describes the portion of Net Position, which are not restricted as to use.

Fund Balance

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification. Commitments and assignments are established by actions of the City Council and can be increased, reduced, or eliminated by similar actions.

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8: Classification of Net Position and Fund Balance (Continued)

Details of the fund balance classifications at June 30, 2013 are as follows:

	General Fund	Miscellaneous Grants	Capital Projects	Nonmajor Governmental	Totals
Nonspendable					
Prepaid costs	\$ 222,153	\$ -	\$ -	\$ -	\$ 222,153
Employee loan	925,000	-	-	-	925,000
Deposits	1,960	-	-	-	1,960
Total nonspendable	<u>1,149,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149,113</u>
Restricted					
Public safety	-	-	-	280,129	280,129
Public works	-	-	-	782,342	782,342
Air quality improvement	-	-	-	300,312	300,312
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,362,783</u>	<u>1,362,783</u>
Committed					
Compensable leaves	659,837	-	-	-	659,837
Capital asset/infrastructure	30,675,576	-	-	-	30,675,576
Total committed	<u>31,335,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,335,413</u>
Assigned					
Continuing appropriations:					
Capital projects:	16,916,051	-	-	-	16,916,051
General government operations	439,724	-	-	-	439,724
Public safety operations	659,049	-	-	-	659,049
Community development operations	392,624	-	-	-	392,624
Public works operations	841,353	-	-	-	841,353
Parks and recreation operations	288,729	-	-	-	288,729
Streets and roads	7,079,102	-	-	-	7,079,102
Senior citizen building	9,230	-	-	-	9,230
Total assigned	<u>26,625,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,625,862</u>
Unassigned	<u>13,734,282</u>	<u>(2,907,277)</u>	<u>-</u>	<u>140,795</u>	<u>10,967,800</u>
Total fund balance	<u>\$72,844,670</u>	<u>\$ (2,907,277)</u>	<u>\$ -</u>	<u>\$ 1,503,578</u>	<u>\$71,440,971</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8: Classification of Net Position and Fund Balance (Continued)

The fund balances assigned to streets and roads and senior citizen building represents the fund balances at June 30, 2013, of separate funds that are maintained for budgetary purposes. The unassigned fund balance in the General Fund consists of the \$13,776,729 budgetary reserve for economic uncertainty.

Accumulated Fund Deficits

The following funds reported a deficit in fund balance at June 30, 2013. These deficits are the result of unavailable grant revenue at June 30, 2013, and will be eliminated upon receipt of the grant reimbursement in the following fiscal year.

Fund	Amount
Special Revenue Funds:	
Miscellaneous Grants	\$ (2,907,277)
Gas Tax	(38,101)

Note 9: Joint Venture

Orange County Fire Authority

In January 1995, the City of Laguna Niguel entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda and the County of Orange to create the Orange County Fire Authority (Authority). Since the creation of the Authority, the Cities of Laguna Woods, Rancho Santa Margarita, Westminster and Aliso Viejo joined the Authority as members eligible for fire protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster. The County pays all structural fire fees it collects to the Authority. The cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster are considered "cash contract cities" and accordingly, make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2013. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 9: Joint Venture (Continued)

Summarized information of the Authority for the fiscal year ended June 30, 2012 (the most recent available data) is as follows:

Total assets	\$ 376,665,967
Total liabilities	(108,120,816)
Total Net Position	<u>\$ 268,545,151</u>
Total revenue	\$ 265,212,548
Total expenses	(284,296,768)
Net decrease in Net Position	<u>\$ (19,084,220)</u>

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

Note 10: Defined Benefit Pension Plan

Plan Description

The City of Laguna Niguel is a participant in the California Public Employees Retirement System (PERS) Miscellaneous 2% at 55 Risk Pool and, 2% at 60 Risk Pool, a cost-sharing multiple-employer public defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City is required to contribute for fiscal year 2012-2013 at an actuarially determined rate of 10.719% and 7.846% of annual covered payroll for the 2% at 55 and 2% at 60 risk pools, respectively.

Required Contribution

For 2012-2013, the City's annual pension cost of \$904,371 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% for miscellaneous employees under both the 2% at 55 Risk Pool and the 2% at 60 Risk Pool depending on age and service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 10: Defined Benefit Pension Plan (Continued)

amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2009, was 18 years for the Miscellaneous 2% at 55 Risk Pool for prior and current service unfunded liability. The Miscellaneous 2% at 60 Risk Pool did not exist as of June 30, 2009; therefore, no average amortization period existed for prior and current service unfunded liability.

For fiscal year 2012-2013, the City of Laguna Niguel participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 801,771	100%	\$ -
6/30/12	851,920	100%	-
6/30/13	904,371	100%	-

Public Employees' Pension Reform Act – PEPRA

Assembly Bill (AB) 340 created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for employees hired on or after January 1, 2013 who meet the definition of new member as per PEPRA. New miscellaneous members will participate in the Miscellaneous 2% at age 62 risk pool that was created by the CalPERS Board in November 2012 in response to the passage of PEPRA. The employer contribution rate is 6.25% of reportable compensation and will be good until June 30, 2015. This rate will not be revised until the June 30, 2013, actuarial valuation of the Miscellaneous 2% at the 62 risk pool is completed in the fall of 2014 that will set the contribution requirement for fiscal year July 1, 2015 through June 30, 2016. The member contribution rate is 6.25% of reportable compensation.

Note 11: Other Post-Employment Benefits Other than Pension

Plan Descriptions

The City of Laguna Niguel provides postretirement medical benefits to employees who retire directly from the City under CalPERS under a single-employer defined benefit post-employment benefits plan. Eligible retirees can continue participation in the City medical plans (PEMHCA). For miscellaneous retirees, the City contributes up to a capped dollar amount which varies by bargaining unit, medical coverage, and years of service.

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 11: Other Post-Employment Benefits Other than Pension (Continued)

City's Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. For fiscal year 2012-13, the City contributed \$6,748 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual *other postemployment benefit* (OPEB) cost (expense) for each plan is calculated based on the *annual required contribution* of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the value of employer promised benefits expected to be earned or allocated for each fiscal year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information for the plan are as follows:

Annual required contribution	\$ 242,811
Interest on net OPEB obligation	19,373
Adjustment to annual required contribution	<u>(35,237)</u>
Annual OPEB cost (expense)	226,947
Contributions made (including premiums paid)	<u>(6,748)</u>
Increase (decrease) in net OPEB obligation	220,199
Net OPEB obligation (asset) – beginning of year	645,782
Net OPEB obligation (asset) – end of year	<u><u>\$ 865,981</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 182,262	2.9%	\$ 445,991
6/30/2012	204,951	2.5%	645,782
6/30/2013	226,947	3.0%	865,981

Funded Status and Funding Progress

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. The City calculates the OPEB obligation based on the Alternative Measurement Method and not through an actuarial due to the limited size of the plan. This method uses an amortization period of 30 years, a discount rate of 3.00%, an inflation rate of 0.00% and a net rate of 3.00% to calculate the ARC.

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 12: Operating Leases

The City has entered into 5 operating leases for copiers and other equipment. Lease terms are 60 months with expiration dates ranging from November 30, 2013 to August 31, 2016.

The annual lease obligations outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Minimum Rental Payments
2014	\$ 24,722
2015	19,337
2016	16,879

Total lease obligation expenditures were \$32,261 for fiscal year ended June 30, 2013.

Note 13: Contingencies

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome of the majority of these cases will have no material adverse effect on the financial position of the City.

The City has received State and Federal funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements, if any, will not be material.

Note 14: Outstanding Commitments

Prior to the end of the fiscal year, the City awarded several consulting and capital project contracts. At June 30, 2013, the unpaid balances of the significant contracts are as follows:

Contracts	Balances
Flooring Replacement SCSCC	\$ 55,472
Hydraulic Analysis for Gateway	21,640
Land Use Management Software Systems	168,450
	<u>\$ 245,562</u>

These commitments have been recorded as encumbrances at year-end in the General Fund. They are included in fund balance assigned to continuing appropriations.

Note 15: Employee Loan Receivable Balance Paid Through Payroll

As of June 30, 2013, the City had a loan receivable relating to the purchase of a home due from the City Manager amounting to approximately \$925,000. This loan bears interest at a rate of 3.375% and matures in 15 years. The loan payments shall be made to the City monthly, with the City automatically withholding the amount of each monthly payment from the City Manager's salary for the month in the amount of \$4,089.39 per month. The note is collateralized and fully secured by the deed of trust on the home.

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 16: Prior Period Adjustments

a. Government-Wide Financial Statements

The City recorded prior-period adjustments in the Government-Wide Financial Statements.

Accordingly, Net Position has been restated as follows:

Governmental Activities:

To adjust the beginning Net OPEB obligation balance	<u>\$ (645,782)</u>
	<u>\$ (645,782)</u>

Note 17: Subsequent Events

Subsequent to June 30, 2013, claims totaling approximately \$470,000 were filed with the City by the Contractor Richard Farino, on the City's Salt Creek Trail Enhancement Project. In October 2012, the City entered into a contract with Farino to construct the Salt Creek Trail Enhancement Project for approximately \$526,552. Farino has had difficulty completing the project and in paying his suppliers and subcontractors. The project is about 65% complete. On approximately August 15, 2013, he abandoned construction of the project and has done no construction work on it since that date. On approximately August 26, 2013, Farino filed six claims with the City totaling about \$470,000. Two are based on alleged failures of the City to timely pay progress payments and change orders and four are change order requests for payment for alleged extra work that was performed by Farino. City staff has been reviewing these claims and believes there is no merit to the claims alleging lack of and untimely payment of change orders and progress payments, but there may be some relatively small amount of funds owed for the change order requests. The exact amount has not yet been determined because of Farino's failure to provide the City with adequate documentation supporting the claims and change order requests.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ 68,268,032	\$ 68,268,032	\$ 68,268,032	\$ -	\$ 68,645,113
Resources (Inflows):					
Taxes	30,051,600	30,545,400	30,729,950	184,550	30,106,150
Licenses and permits	1,222,300	2,203,300	2,058,568	(144,732)	1,289,809
Intergovernmental	-	57,201	98,455	41,254	1,301,890
Charges for services	1,252,600	1,132,611	1,098,177	(34,434)	1,100,414
Use of money and property	1,186,000	1,159,660	530,582	(629,078)	942,544
Fines and forfeitures	364,100	212,700	231,309	18,609	374,666
Contributions	6,650	11,400	13,188	1,788	12,155
Developer participation	-	-	163,250	163,250	-
Miscellaneous	68,000	374,736	2,800,505	2,425,769	157,250
Transfers in	34,724	94,924	34,881	(60,043)	40,517
Amounts Available for Appropriation	102,454,006	104,059,964	106,026,897	1,966,933	103,970,508
Charges to Appropriation (Outflow):					
General government	5,078,404	5,705,085	3,641,524	2,063,561	4,514,765
Public safety	10,153,172	10,540,695	9,862,963	677,732	9,713,168
Community development	2,511,785	3,431,017	2,906,236	524,781	2,707,274
Parks and recreation	3,558,611	3,951,956	3,250,443	701,513	3,217,560
Public works	7,277,281	8,116,749	7,647,799	468,950	6,610,866
Capital outlay	250,000	327,450	159,600	167,850	-
Transfers out	5,356,677	26,424,757	5,713,662	20,711,095	8,938,843
Total Charges to Appropriations	34,185,930	58,497,709	33,182,227	25,315,482	35,702,476
Budgetary Fund Balance, June 30	\$ 68,268,076	\$ 45,562,255	\$ 72,844,670	\$ 27,282,415	\$ 68,268,032

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ (624,687)	\$ (624,687)	\$ (624,687)	\$ -	\$ (428,679)
Resources (Inflows):					
Intergovernmental	57,381	758,205	1,358,316	600,111	3,101,160
Use of money and property	376	440	315	(125)	394
Amounts Available for Appropriation	(566,930)	133,958	733,944	599,986	2,672,875
Charges to Appropriation (Outflow):					
Community development	57,381	57,381	49,810	7,571	41,977
Transfers out	-	6,249,296	3,591,411	2,657,885	3,255,585
Total Charges to Appropriations	57,381	6,306,677	3,641,221	2,665,456	3,297,562
Budgetary Fund Balance, June 30	\$ (624,311)	\$ (6,172,719)	\$(2,907,277)	\$ 3,265,442	\$ (624,687)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Note 1: Budget Policy and Control

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General Fund, all Special Revenue Funds, and the Capital Projects Fund. The City Manager and Director of Finance prepare and submit a proposed budget to the City Council. The City Council conducts a noticed public hearing to invite public input before the City Council conducts its detailed review of the proposed budget at a special meeting where additional public input is invited. After reviewing the proposed budget and making such revisions that it deems advisable, the City Council approves each year's budget by resolution at the first meeting of the new fiscal year. The City Council has the legal authority to amend the budget at any time during the fiscal year.

The City Manager is authorized to adjust appropriations between functions within each program (i.e. general government, public safety, public works, community development, parks and recreation and capital outlay), provided that the total appropriations for each program does not exceed the amounts approved in the budget or any amending resolutions. Adjustments to appropriations between programs and funds require City Council approval. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. Unexpended appropriations for authorized, but uncompleted, projects in the Capital Improvement Program budget and some unexpended operating appropriations can be carried forward to the next succeeding budget year upon recommendation of the City Manager and approval of the City Council. All other appropriations lapse at end of year. Total additional appropriations for fiscal year ended June 30, 2013 were \$27,814,808.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Significant encumbrances at year-end are disclosed as part of outstanding commitments. Encumbrances do not constitute expenditures or liabilities.

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SUPPLEMENTARY SCHEDULES

CITY OF LAGUNA NIGUEL

**NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

SPECIAL REVENUE FUNDS

Gas Tax Fund - Accounts for revenues received and expenditures made for general street maintenance. Financing is provided by the City's share of state gasoline taxes collected under the Street and Highway Code, Sections 2103, 2105, 2106, 2107 and 2107.5.

Measure "M" Fund - Accounts for revenues received and expenditures made for street improvement and maintenance. Financing is provided by City's allocation of County Measure M funds.

Prop 1B Fund - Accounts for revenues received and expenditures made for street improvements. Financing is provided by City's allocation of State Proposition 1B funds.

Air Quality Improvement Fund - Accounts for revenues received under AB2766 and expenditures made for air quality improvements. AB2766 was enacted to authorize air pollution control districts to impose fees on motor vehicles. The California Department of Motor Vehicles collects the fees by assessing an amount on each registered vehicle in the South Coast District. This fee is distributed by the South Coast Air Quality Management District to local governments on a prorated basis based on population in the area.

Law Enforcement Fund - Accounts for various law enforcement revenues received and expenditures made including: the addition of one motorcycle patrol officer and other certain law enforcement and crime prevention expenditures in the Police Services Department. Financing is provided by the State of California's Citizens Options for Public Safety (COPS) program and the Regional Narcotics Suppression Program.

Community Development Block Grant Fund - Accounts for revenues received and expenditures made for Community Development Block Grant eligible grants and capital projects. Financing is provided by the U.S. Department of Housing and Urban Development.

CITY OF LAGUNA NIGUEL

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			
	Gas Tax	Measure "M"	Prop 1B	Air Quality Improvement
Assets:				
Pooled cash and investments	\$ 49,170	\$ 609,672	\$ 1,779	\$ 286,221
Due from other governments	132,897	170,891	-	20,118
Total Assets	\$ 182,067	\$ 780,563	\$ 1,779	\$ 306,339
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 220,168	\$ -	\$ -	\$ 6,027
Due to other funds	-	-	-	-
Total Liabilities	220,168	-	-	6,027
Deferred inflows of resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	780,563	1,779	-
Air quality improvement	-	-	-	300,312
Unassigned	(38,101)	-	-	-
Total Fund Balances	(38,101)	780,563	1,779	300,312
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 182,067	\$ 780,563	\$ 1,779	\$ 306,339

CITY OF LAGUNA NIGUEL

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds		Total Governmental Funds	
	Law Enforcement	Community Development Block Grant	2013	2012
Assets:				
Pooled cash and investments	\$ 280,129	\$ 178,441	\$ 1,405,412	\$ 1,330,214
Due from other governments	-	66,930	390,836	382,087
Total Assets	\$ 280,129	\$ 245,371	\$ 1,796,248	\$ 1,712,301
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 10,885	\$ 237,080	\$ 278,375
Due to other funds	-	-	-	2,650
Total Liabilities	-	10,885	237,080	281,025
Deferred inflows of resources:				
Unavailable revenues	-	55,590	55,590	-
Total Deferred Inflows of Resources	-	55,590	55,590	-
Fund Balances:				
Restricted for:				
Public safety	280,129	-	280,129	-
Public works	-	-	782,342	1,431,276
Air quality improvement	-	-	300,312	-
Unassigned	-	178,896	140,795	-
Total Fund Balances	280,129	178,896	1,503,578	1,431,276
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 280,129	\$ 245,371	\$ 1,796,248	\$ 1,712,301

CITY OF LAGUNA NIGUEL

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Measure "M"</u>	<u>Prop 1B</u>	<u>Air Quality Improvement</u>
Revenues:				
Intergovernmental	\$ 1,534,347	\$ 953,624	\$ -	\$ 76,832
Use of money and property	33	6,795	5	1,010
Total Revenues	1,534,380	960,419	5	77,842
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	1,089,414	-	-	38,063
Total Expenditures	1,089,414	-	-	38,063
Excess (Deficiency) of Revenues Over (Under) Expenditures	444,966	960,419	5	39,779
Other Financing Sources (Uses):				
Transfers out	(531,602)	(986,152)	-	(34,881)
Total Other Financing Sources (Uses)	(531,602)	(986,152)	-	(34,881)
Net Change in Fund Balances	(86,636)	(25,733)	5	4,898
Fund Balances, Beginning of Year	48,535	806,296	1,774	295,414
Fund Balances, End of Year	\$ (38,101)	\$ 780,563	\$ 1,779	\$ 300,312

CITY OF LAGUNA NIGUEL

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Special Revenue Funds</u>		<u>Total Governmental Funds</u>	
	<u>Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Intergovernmental	\$ 100,000	\$ 397,481	\$ 3,062,284	\$ 3,112,985
Use of money and property	710	-	8,553	18,263
Total Revenues	100,710	397,481	3,070,837	3,131,248
Expenditures:				
Current:				
Public safety	99,823	-	99,823	99,996
Community development	-	66,553	66,553	77,396
Public works	-	-	1,127,477	1,571,056
Total Expenditures	99,823	66,553	1,293,853	1,748,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	887	330,928	1,776,984	1,382,800
Other Financing Sources (Uses):				
Transfers out	-	(152,047)	(1,704,682)	(514,337)
Total Other Financing Sources (Uses)	-	(152,047)	(1,704,682)	(514,337)
Net Change in Fund Balances	887	178,881	72,302	868,463
Fund Balances, Beginning of Year	279,242	15	1,431,276	562,813
Fund Balances, End of Year	\$ 280,129	\$ 178,896	\$ 1,503,578	\$ 1,431,276

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ 48,535	\$ 48,535	\$ 48,535	\$ -	\$ -
Resources (Inflows):					
Intergovernmental	1,761,900	1,701,500	1,534,347	(167,153)	1,885,364
Use of money and property	-	1,424	33	(1,391)	805
Amounts Available for Appropriation	1,810,435	1,751,459	1,582,915	(168,544)	1,886,169
Charges to Appropriation (Outflow):					
Public works	1,573,995	1,509,595	1,089,414	420,181	1,527,885
Transfers out	187,905	187,905	531,602	(343,697)	309,749
Total Charges to Appropriations	1,761,900	1,697,500	1,621,016	76,484	1,837,634
Budgetary Fund Balance, June 30	\$ 48,535	\$ 53,959	\$ (38,101)	\$ (92,060)	\$ 48,535

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
MEASURE "M"
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ 806,296	\$ 806,296	\$ 806,296	\$ -	\$ -
Resources (Inflows):					
Intergovernmental	1,018,900	1,018,900	953,624	(65,276)	960,416
Use of money and property	-	9,841	6,795	(3,046)	9,963
Amounts Available for Appropriation	1,825,196	1,835,037	1,766,715	(68,322)	970,379
Charges to Appropriation (Outflow):					
Transfers out	1,018,900	2,311,301	986,152	1,325,149	164,083
Total Charges to Appropriations	1,018,900	2,311,301	986,152	1,325,149	164,083
Budgetary Fund Balance, June 30	\$ 806,296	\$ (476,264)	\$ 780,563	\$ 1,256,827	\$ 806,296

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 PROP 1B
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ 1,774	\$ 1,774	\$ 1,774	\$ -	\$ 1,753
Resources (Inflows):					
Intergovernmental	412,725	412,725	-	(412,725)	-
Use of money and property	-	21	5	(16)	22
Amounts Available for Appropriation	414,499	414,520	1,779	(412,741)	1,775
Charges to Appropriation (Outflow):					
Transfers out	412,725	412,725	-	412,725	-
Total Charges to Appropriations	412,725	412,725	-	412,725	-
Budgetary Fund Balance, June 30	\$ 1,774	\$ 1,795	\$ 1,779	\$ (16)	\$ 1,775

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ 295,414	\$ 295,414	\$ 295,414	\$ -	\$ 296,113
Resources (Inflows):					
Intergovernmental	75,000	75,000	76,832	1,832	79,314
Use of money and property	3,800	3,527	1,010	(2,517)	3,662
Amounts Available for Appropriation	374,214	373,941	373,256	(685)	379,089
Charges to Appropriation (Outflow):					
Public works	40,000	40,000	38,063	1,937	43,171
Transfers out	34,724	88,624	34,881	53,743	40,505
Total Charges to Appropriations	74,724	128,624	72,944	55,680	83,676
Budgetary Fund Balance, June 30	\$ 299,490	\$ 245,317	\$ 300,312	\$ 54,995	\$ 295,413

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ 279,242	\$ 279,242	\$ 279,242	\$ -	\$ 265,628
Resources (Inflows):					
Intergovernmental	100,000	100,000	100,000	-	109,799
Use of money and property	2,500	3,455	710	(2,745)	3,811
Amounts Available for Appropriation	381,742	382,697	379,952	(2,745)	379,238
Charges to Appropriation (Outflow):					
Public safety	100,000	100,004	99,823	181	99,996
Total Charges to Appropriations	100,000	100,004	99,823	181	99,996
Budgetary Fund Balance, June 30	\$ 281,742	\$ 282,693	\$ 280,129	\$ (2,564)	\$ 279,242

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ 15	\$ 15	\$ 15	\$ -	\$ (681)
Resources (Inflows):					
Intergovernmental	232,358	232,358	397,481	165,123	78,092
Amounts Available for Appropriation	232,373	232,373	397,496	165,123	77,411
Charges to Appropriation (Outflow):					
Community development	66,428	66,428	66,553	(125)	77,396
Transfers out	166,243	434,034	152,047	281,987	-
Total Charges to Appropriations	232,671	500,462	218,600	281,862	77,396
Budgetary Fund Balance, June 30	\$ (298)	\$ (268,089)	\$ 178,896	\$ 446,985	\$ 15

CITY OF LAGUNA NIGUEL

**BUDGETARY COMPARISON SCHEDULE
CITY CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Transfers in	7,142,450	36,073,918	10,974,874	(25,099,044)	12,668,248
Amounts Available for Appropriation	7,142,450	36,073,918	10,974,874	(25,099,044)	12,668,248
Charges to Appropriation (Outflow):					
Capital outlay	7,142,450	36,166,016	10,974,874	25,191,142	12,668,248
Transfers out	-	60,200	-	60,200	-
Total Charges to Appropriations	7,142,450	36,226,216	10,974,874	25,251,342	12,668,248
Budgetary Fund Balance, June 30	\$ -	\$ (152,298)	\$ -	\$ 152,298	\$ -

CITY OF LAGUNA NIGUEL

STATISTICAL SECTION OVERVIEW

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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	75
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	80
These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	
<i>Debt Capacity</i>	85
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	88
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<i>Operating Information</i>	90
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.	

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CITY OF LAGUNA NIGUEL

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Invested in capital assets	\$286,053,078	\$293,592,784	\$305,348,578	\$502,836,175	\$506,824,050	\$523,617,408	\$528,963,587	\$545,932,670	\$550,198,842	\$553,534,310
Restricted										
Public safety	246,129	248,388	248,246	292,802	254,851	242,315	266,768	265,628	279,242	280,129
Public works	1,940,818	1,288,289	1,510,298	697,650	556,515	832,601	374,801	-	-	-
Streets	-	-	-	-	-	-	-	1,753	856,606	782,342 ¹
Community development	16,114	7,165	-	8,802	11,910	13,201	16,319	-	15	-
Parks and recreation	-	192,593	196,444	207,010	49,902	50,351	50,574	-	-	-
Air quality improvement	-	-	-	-	-	-	-	296,113	295,413	300,312
Total restricted	2,203,061	1,736,435	1,954,988	1,206,264	873,178	1,138,468	708,462	563,494	1,431,276	1,362,783
Unrestricted	63,020,708	68,145,496	79,071,065	84,366,296	92,012,756	86,238,908	85,320,021	68,802,806	68,347,126	72,885,017
Total governmental activities net position	\$351,276,847	\$363,474,715	\$386,374,631	\$588,408,735	\$599,709,984	\$610,994,784	\$614,992,070	\$615,298,970	\$619,977,244	\$627,782,110

The City does not have any *Business-Type* activities. Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

¹ Public works was reclassified as Streets in 2011.

CITY OF LAGUNA NIGUEL

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
General government	\$ 3,047,363	\$ 3,399,531	\$ 4,154,473	\$ 3,647,281	\$ 4,025,047	\$ 3,691,205	\$ 3,764,859	\$ 4,033,765	\$ 4,955,909	\$ 3,883,888 ¹
Public safety	7,331,142	7,574,577	8,071,132	8,569,980	9,666,896	9,649,131	9,918,884	10,006,318	9,867,718	9,966,910
Community development	1,987,752	2,179,893	2,259,293	2,651,795	3,068,149	2,808,628	2,810,506	2,762,995	3,970,610	3,034,523
Public works	7,522,802	7,662,560	9,309,638	13,470,142	14,039,913	16,400,713	15,142,252	17,138,184	13,434,792	15,665,526 ²
Parks and recreation	3,048,840	3,176,300	3,830,907	4,541,886	4,546,457	3,239,746	4,181,757	3,841,949	4,088,348	4,001,047
Total expenses	22,937,899	23,992,861	27,625,443	32,881,084	35,346,462	35,789,423	35,818,258	37,783,211	36,317,377	36,551,894
Program Revenues:										
Charges for services:										
General government	78,720	64,779	92,913	4,692	4,692	4,692	4,692	-	3,686	-
Public safety	333,614	404,839	398,167	411,654	469,455	367,029	439,378	375,499	404,197	232,009
Community development	1,413,010	1,126,825	1,448,806	1,517,476	1,499,456	1,022,861	1,037,657	1,153,439	1,143,063	2,221,118
Public works	161,311	114,327	216,116	301,497	234,525	149,584	251,728	17,950	218,091	17,304
Parks and recreation	772,470	767,799	930,132	1,136,165	1,039,992	1,027,064	959,966	1,014,934	1,107,502	1,098,177
Operating grants and contributions	2,394,074	3,280,850	2,830,222	3,709,259	4,801,996	3,190,546	2,853,272	3,267,503	3,376,509	5,962,399
Capital grants and contributions	763,717	1,096,852	1,466,168	904,773	1,192,587	5,834,702	2,789,723	1,297,942	3,848,007	1,308,028
Total program revenues	5,916,916	6,856,271	7,382,524	7,985,516	9,242,703	11,596,478	8,336,416	7,127,267	10,101,055	10,839,035
Net (expenses)/revenues	(17,020,983)	(17,136,590)	(20,242,919)	(24,895,568)	(26,103,759)	(24,192,945)	(27,481,842)	(30,655,944)	(26,216,322)	(25,712,859)

CITY OF LAGUNA NIGUEL

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues:										
Taxes:										
Property taxes	8,949,813	9,735,751	14,907,725	16,333,325	17,334,996	17,453,828	16,917,258	16,812,673	16,820,273	17,139,167 ³
Sales taxes	11,061,021	11,124,706	11,360,619	11,018,097	11,222,628	10,279,476	9,406,994	9,673,445	11,044,440	10,845,297
Franchise fees	1,748,801	1,856,585	2,037,713	2,258,166	2,266,240	2,350,145	2,314,813	2,277,125	2,320,351	2,301,967
Other taxes	977,904	925,448	794,102	514,883	369,355	306,998	402,131	387,800	404,659	499,787
Motor vehicle license fee	2,988,103	3,579,045	1,560,613	357,484	295,283	227,505	197,444	308,560	33,476	34,687 ³
Use of money and property	90,125	1,782,014	1,392,065	4,337,449	5,873,313	4,391,413	1,976,063	1,181,878	953,081	542,103 ^{4,5}
Other general revenue	490,744	330,909	1,517,681	378,186	43,193	468,380	264,425	321,363	92,106	2,800,505 ⁶
Total general revenue	26,306,511	29,334,458	33,570,518	35,197,590	37,405,008	35,477,745	31,479,128	30,962,844	31,668,386	34,163,513
Changes in net position	\$ 9,285,528	\$ 12,197,868	\$ 13,327,599	\$ 10,302,022	\$ 11,301,249	\$ 11,284,800	\$ 3,997,286	\$ 306,900	\$ 5,452,064	\$ 8,450,654

The City does not have any *Business-Type* activities. Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

The City began reporting net position upon the implementation of GASB 34 for fiscal year ended June 30, 2003. Net position information prior to the implementation of GASB 34 is not available.

¹ City paid down its CalPERS side fund (unfunded liability) in the amount of \$563,616 in 2006, causing general government expenses to increase by 22% in 2006.

² City reported all infrastructure assets for the first time in 2007. Infrastructure depreciation reported in public works increased \$3.3 million in 2007 as a result of this change.

³ Property Tax in Lieu of VLF was reclassified from VLF to Property Taxes in 2006.

⁴ Includes unrealized gains and losses due to the reporting of investments at market value in accordance with GASB 31.

⁵ Use of money and property was called investment income in years prior to 2011.

⁶ The City received a one-time contribution in the amount of \$1.3 million upon the renewal of its cable franchise agreement in 2006.

CITY OF LAGUNA NIGUEL

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 801,002	\$ 657,688	\$ 1,614,065	\$ 2,765,277	\$ 9,229,510	\$ 2,825,279	\$ 15,121,604	\$ -	\$ -	\$ -
Unreserved	42,532,538	59,738,025	69,548,486	73,231,017	74,772,758	75,905,913	62,086,055	-	-	-
Nonspendable	-	-	-	-	-	-	-	376,900	369,631	1,149,113 ²
Committed	-	-	-	-	-	-	-	28,003,766	27,616,266	31,335,413 ²
Assigned	-	-	-	-	-	-	-	26,880,508	26,900,314	26,625,862 ²
Unassigned	-	-	-	-	-	-	-	13,383,939	13,381,821	13,734,282 ²
Total general fund	\$ 43,333,540	\$ 60,395,713 ¹	\$ 71,162,551	\$ 75,996,294	\$ 84,002,268	\$ 78,731,192	\$ 77,207,659	\$ 68,645,113	\$ 68,268,032	\$ 72,844,670 ³
All other governmental funds										
Reserved	\$ 715,703	\$ 147,066	\$ 10,430	\$ -	\$ 5,235,544	\$ 1,169,155	\$ 528,985	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	20,308,234	7,033,719	6,976,604	7,591,281	2,531,025	2,733,677	6,374,454	-	-	-
Capital projects funds	-	13,866	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	563,494	1,431,276	1,362,783 ²
Unassigned	-	-	-	-	-	-	-	(429,360)	(624,687)	(2,766,483) ²
Total all other governmental funds	\$ 21,023,937	\$ 7,194,651 ¹	\$ 6,987,034	\$ 7,591,281	\$ 7,766,569	\$ 3,902,832	\$ 6,903,439	\$ 134,134	\$ 806,589	\$ (1,403,700) ³

¹ The Laguna Niguel Community Services District (LNCSD) was a subsidiary district of the City and was reported in a special revenue fund from 1989 through 2004. On May 16, 2005, the LNCSD was legally dissolved and on June 30, 2005, the resources of the LNCSD were transferred to the General Fund in the amount of \$12,011,581.

² The City began reporting fund balances of the General Fund and other governmental funds under these categories upon the implementation of GASB 54 for fiscal year ended June 30, 2011.

³ The Streets and Roads Fund and Senior Citizen Building Fund, previously classified as special revenue funds, were combined with the General Fund, per GASB 54, in 2011.

CITY OF LAGUNA NIGUEL

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$20,869,176	\$24,371,276	\$26,712,124	\$27,991,950	\$28,803,731	\$28,379,587	\$26,475,488	\$29,616,877	\$30,106,150	\$30,729,950
Licenses and permits	-	-	-	-	-	-	-	1,062,646	1,289,809	2,058,568 ²
Intergovernmental	5,965,405	4,015,566	5,342,167	5,536,498	6,661,794	5,090,664	8,703,015	6,094,250	7,516,035	4,519,055
Charges for services	2,346,791	2,008,952	2,595,053	2,854,763	2,711,824	2,134,061	2,186,186	1,014,934	1,100,414	1,098,177
Franchise fees	1,748,801	1,856,585	2,037,713	2,258,166	2,266,240	2,350,145	2,314,813	-	-	- ¹
Use of money and property	98,947	1,806,430	1,403,615	4,405,001	5,946,104	4,456,255	2,068,795	1,169,515	961,201	539,450
Fines and forfeitures	333,614	404,839	398,168	373,594	435,708	344,817	392,873	373,906	374,666	231,309
Developer fees	50,505	118,813	-	-	-	184,779	-	-	-	163,250
Contributions	-	-	-	-	-	-	-	12,070	12,155	13,188
Miscellaneous	595,225	382,786	1,670,583	545,400	324,699	413,575	504,205	319,363	157,250	2,800,505
Total revenues	32,008,464	34,965,247	40,159,423	43,965,372	47,150,100	43,353,873	42,645,375	39,663,561	41,517,680	42,153,452
Expenditures:										
Current:										
General government	3,099,078	3,380,939	3,925,963	3,639,172	3,981,079	3,654,397	3,733,894	4,249,263	4,514,765	3,641,524
Public safety	7,294,818	7,579,848	8,025,388	8,534,667	9,574,838	9,593,225	9,902,842	9,973,477	9,813,164	9,962,786
Community development	1,818,093	2,009,571	2,211,606	2,639,226	3,054,213	2,786,817	2,789,357	2,739,393	2,826,647	3,022,599
Public works	6,194,167	6,338,684	7,146,574	7,793,330	8,119,102	8,072,689	7,841,576	7,993,308	8,181,922	8,775,276
Parks and recreation	1,976,400	2,076,295	2,237,048	2,477,203	2,702,555	2,766,397	3,348,365	3,117,227	3,217,560	3,250,443
Capital outlay	4,115,843	10,020,112	5,953,801	13,408,783	11,537,051	25,615,161	13,414,439	26,922,744	12,668,248	11,134,474
Debt service:										
Principal	31,789	14,703	15,394	3,961	-	-	-	-	-	-
Interest	1,836	1,360	612	40	-	-	-	-	-	-
Total expenditures	24,532,024	31,421,512	29,516,386	38,496,382	38,968,838	52,488,686	41,030,473	54,995,412	41,222,306	39,787,102
Excess (deficiency) of revenues over (under) expenditures	7,476,440	3,543,735	10,643,037	5,468,990	8,181,262	(9,134,813)	1,614,902	(15,331,851)	295,374	2,366,350
Other Financing Sources (Uses):										
Capital leases	45,011	-	-	-	-	-	-	-	-	-
Transfers in	4,999,523	11,368,446	6,657,311	13,489,803	11,680,228	25,437,407	13,469,346	27,683,833	12,708,765	11,009,755
Transfers out	(5,009,295)	(11,679,294)	(6,741,127)	(13,520,803)	(11,680,228)	(25,437,407)	(13,607,174)	(27,683,833)	(12,708,765)	(11,009,755)
Total other financing sources (uses)	35,239	(310,848)	(83,816)	(31,000)	-	-	(137,828)	-	-	-
Net change in fund balances	\$ 7,511,679	\$ 3,232,887	\$10,559,221	\$ 5,437,990	\$ 8,181,262	\$ (9,134,813)	\$ 1,477,074	\$ (15,331,851)	\$ 295,374	\$ 2,366,350
Debt service as a percentage of noncapital expenditures	0.00%	0.16%	0.07%	0.06%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%

¹ Franchise fees included in Taxes beginning in 2011

² Licenses and permits reported as part of Charges for Services in years prior to 2011

CITY OF LAGUNA NIGUEL
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Taxes		Sales & Use Tax		Property Transfer Tax		Occupancy Tax		Franchise Fees ²		Total	
	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change
2004	\$ 8,949,813	7%	\$ 11,061,021	16%	\$ 813,269	36%	\$ 45,073	31%	\$ -	-	\$ 20,869,177	13%
2005	12,663,708	41% ¹	11,124,706	1%	766,913	-6%	41,971	-7%	-	-	24,597,298	18%
2006	14,907,725	18%	11,360,619	2%	746,456	-3%	47,646	14%	-	-	27,062,446	10%
2007	16,333,325	10%	11,018,097	-3%	469,693	-37%	45,190	-5%	-	-	27,866,305	3%
2008	17,334,996	6%	11,222,628	2%	327,191	-30%	42,164	-7%	-	-	28,926,979	4%
2009	17,453,828	1%	10,279,476	-8%	277,666	-15%	29,332	-30%	-	-	28,040,302	-3%
2010	16,917,258	-3%	9,406,994	-8%	377,640	36%	24,492	-17%	-	-	26,726,384	-5%
2011	16,812,673	-1%	9,673,445	3%	358,324	-5%	29,476	20%	2,277,124	n/a	29,151,042	9%
2012	16,820,273	0%	11,044,440	14%	365,342	2%	32,594	11%	2,320,351	2%	30,583,000	5%
2013	17,139,167	2%	10,845,297	-2%	470,367	29%	29,420	-10%	2,301,967	-1%	30,786,218	1%
Change												
2004-2013		92%		-2%		-42%		-35%		1%		48%

¹ Property Tax in Lieu of VLF replaces Vehicle License Fees due to the permanent reduction of the VLF rate in 2003.

² Franchise fees included in Taxes beginning in 2011

CITY OF LAGUNA NIGUEL

**ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Year	Taxable Assessed Value					Total Direct Tax Rate		
	Residential	Commercial	Industrial	Other	Unsecured	City	LNCSD	Total
2004	\$ 8,067,179,736	\$ 515,918,734	\$ 68,779,300	\$ 12,365,295	\$ 108,580,522	0.02416%	0.11047%	0.13463%
2005	8,606,529,646	451,723,662	72,055,236	247,561,974	117,726,818	0.02416%	0.11047%	0.13463%
2006	9,341,908,470	470,804,846	79,077,831	346,757,965	116,234,687	0.13463%	0.00000%	0.13463%
2007	10,171,126,427	510,226,829	83,704,121	443,136,978	138,297,884	0.13463%	0.00000%	0.13463%
2008	10,778,543,263	543,566,388	85,864,384	538,347,363	129,484,621	0.13463%	0.00000%	0.13463%
2009	10,843,796,570	553,932,057	87,366,673	597,373,481	143,335,952	0.13463%	0.00000%	0.13463%
2010	10,518,498,308	651,650,711	89,240,368	473,981,671	146,266,109	0.13463%	0.00000%	0.13463%
2011	11,014,107,392	638,048,664	93,114,560	11,482,330	135,827,926	0.13463%	0.00000%	0.13463%
2012	11,117,732,120	638,400,300	94,093,029	11,004,369	130,694,433	0.13463%	0.00000%	0.13463%
2013	11,229,883,033	646,458,647	97,332,857	12,725,531	130,417,989	0.13463%	0.00000%	0.13463%

Notes:

Exempt values are not included in totals.

In 1978 the voters of the State of California passed Proposition 13 which limited 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 of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value 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.

The Laguna Niguel Community Services District (CSD) was dissolved in May 2005. The direct tax rate of the CSD was assumed by the City in 2005.

Source: Orange County Assessor 2003/04 - 2012/13 combined tax rolls, through HdL, Coren & Cone.

CITY OF LAGUNA NIGUEL

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Year	City Share of Direct Rate	County Direct Rate	Overlapping Rates										Total Direct and Overlapping Rates
			Capistrano Unified	Capistrano Valley Water	Laguna Beach Unified	Laguna Beach Unified 2010 GO Refunding	Moulton Niguel Water Dist	Saddleback Valley Unified	South Coast Water	Metro Water			
2004	0.13463%	1.00%	0.01292%	0.00000%	0.02594%	0.00000%	0.00000%	0.20377%	0.00000%	0.01239%	0.01220%	1.26722%	
2005	0.13463%	1.00%	0.01191%	0.00000%	0.02020%	0.00000%	0.00000%	0.18214%	0.03626%	0.01075%	0.01160%	1.27286%	
2006	0.13463%	1.00%	0.01078%	0.00000%	0.01897%	0.00000%	0.00000%	0.10122%	0.03079%	0.00980%	0.01040%	1.18196%	
2007	0.13463%	1.00%	0.00947%	0.00000%	0.01720%	0.00000%	0.00000%	0.09855%	0.03694%	0.00904%	0.00940%	1.18060%	
2008	0.13463%	1.00%	0.01019%	0.00000%	0.01808%	0.00000%	0.00000%	0.07810%	0.02668%	0.00963%	0.00900%	1.15168%	
2009	0.13463%	1.00%	0.00971%	0.00000%	0.01544%	0.00000%	0.00000%	0.10469%	0.02834%	0.00925%	0.00430%	1.17173%	
2010	0.13463%	1.00%	0.01077%	0.00000%	0.01683%	0.00000%	0.00000%	0.14832%	0.03043%	0.00919%	0.00430%	1.21984%	
2011	0.13463%	1.00%	0.01105%	0.00000%	0.00570%	0.01012%	0.12802%	0.12802%	0.03194%	0.00910%	0.00370%	1.19963%	
2012	0.13463%	1.00%	0.01101%	0.00000%	0.01601%	0.00000%	0.11957%	0.11957%	0.03163%	0.00828%	0.00370%	1.19020%	
2013	0.13463%	1.00%	0.01171%	0.00000%	0.01694%	0.00000%	0.12280%	0.12280%	0.03265%	0.00819%	0.00350%	1.19579%	

Notes:

Overlapping rates are those that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

Total direct rate is the weighted average of all individual direct rates applied by the City.

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 for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: Orange County Assessor 2003/04 - 2012/13 Tax Rate Tables, through HdL, Coren & Cone

CITY OF LAGUNA NIGUEL

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2013				2004				% of Total City Taxable Assessed Value
	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value	
Sequoia Equities-Hidden Hills	\$ 80,040,808	\$ 107,759	1	0.66%	\$ -	\$ -	-	-	
BRE Properties, Inc.	73,375,125	98,785	2	0.61%	63,546,000	85,552	2	0.72%	
Shapell Industries, Inc.	45,570,282	61,351	3	0.38%	60,885,445	81,970	3	0.69%	
Seaside Meadows Partners	44,693,463	60,171	4	0.37%	38,722,015	52,131	5	0.44%	
Costco Wholesale Corporation	43,733,238	58,878	5	0.36%	39,288,022	52,893	4	0.45%	
Laguna Niguel Investors	39,511,126	53,194	6	0.33%	33,537,961	45,152	6	0.38%	
FG Laguna Niguel Senior Apt. LP	37,732,434	50,799	7	0.31%	-	-	-	-	
EQR Bond Partnership	37,375,036	50,318	8	0.31%	32,274,279	43,451	7	0.37%	
Ocean Ranch II	36,583,513	49,252	9	0.30%	-	-	-	-	
Rancho Niguel Commercial	36,254,693	48,810	10	0.30%	-	-	-	-	
Stonebridge Investors Limited	-	-	-	-	83,794,467	112,812	1	0.96%	
Arden Reality Limited	-	-	-	-	31,189,843	41,991	8	0.36%	
Pointe Niguel Partners	-	-	-	-	28,051,842	37,766	9	0.32%	
Voit La Paz Partner LLC	-	-	-	-	27,271,854	36,716	10	0.31%	
Total	\$ 474,869,718	\$ 639,317		3.92%	\$ 438,561,728	\$ 590,436		5.00%	

Source: Orange County Assessor 2012/13 and 2003/2004 Combined Tax Rolls through HdL, Coren & Cone.

CITY OF LAGUNA NIGUEL

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	8,973,186	8,917,082	99.37%	122,092	9,039,174	100.74%
2005	9,311,694	9,136,301	98.12%	104,508	9,240,809	99.24%
2006	10,164,194	9,919,796	97.60%	123,720	10,043,516	98.81%
2007	16,342,200	15,920,638	97.42%	175,573	16,096,211	98.49%
2008	17,563,197	16,987,530	96.72%	289,467	17,276,997	98.37%
2009	17,454,987	16,896,217	96.80%	460,886	17,357,103	99.44%
2010	16,780,290	14,751,943	87.91%	451,782	15,203,725	90.60%
2011	16,816,232	16,448,130	97.81%	288,571	16,736,701	99.53%
2012	16,892,644	16,520,601	97.80%	205,001	16,725,601	99.01%
2013	17,483,577	16,903,941	96.68%	186,450	17,090,392	97.75%

Notes:

Tax ledgers do not identify the tax year for which delinquent taxes are paid, therefore, this schedule reflects the cumulative collections from delinquent taxes.

Source: Orange County Auditor Controller Tax Ledgers

CITY OF LAGUNA NIGUEL

**RATIOS OF OUTSTANDING DEBT BY TYPE
GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Percentage of Assessed Property Value</u> ^a	<u>Per Capita</u> ^b
2004	34,058	0.00039%	0.52
2005	19,355	0.00020%	0.29
2006	3,961	0.00004%	0.06
2007	-	0.00000%	-
2008	-	0.00000%	-
2009	-	0.00000%	-
2010	-	0.00000%	-
2011	-	0.00000%	-
2012	-	0.00000%	-
2013	-	0.00000%	-

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

The City does not have any *Business-Type* activities. All debt is reported as governmental activity.

^a See schedule on page 83 for assessed property value data. This ratio is calculated using assessed property value for the prior calendar year.

^b See schedule on page 88 for population data. This ratio is calculated using population as of January of each fiscal year as reported by the State Department of Finance.

CITY OF LAGUNA NIGUEL

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2013**

2012-2013 Assessed Valuation: \$12,116,818,057

	Total Debt 6/30/13	% Applicable(1)	City's Share of Debt 6/30/13
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 165,085,000	0.577%	\$ 952,540
Capistrano Unified School District School Facilities Improvement District No. 1	39,579,930	26.916%	10,653,334
Laguna Beach Unified School District	29,510,000	0.020%	5,902
Saddleback Valley Unified School District	121,645,000	0.070%	85,152
Moulton-Niguel Water District, Improvement District No. 7	9,155,000	87.626%	8,022,160
South Coast Water District	2,450,000	6.778%	166,061
City of Laguna Niguel	-	100.000%	-
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 19,885,149
OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	\$ 190,546,000	2.832%	\$ 5,396,263
Orange County Pension Obligations	306,287,244	2.832%	8,674,055
Orange County Board of Education Certificates of Participation	15,770,000	2.832%	446,606
Capistrano Unified School District Certificates of Participation	19,635,000	18.289%	3,591,045
Moulton-Niguel Water District Certificates of Participation	83,535,000	44.888%	37,497,191
Municipal Water District of Orange County Water Facilities Corporation	10,035,000	3.401%	341,290
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$ 55,946,450
Less: MWDOC Water Facilities Corporation (100% self-supporting)			341,290
TOTAL NET OVERLAPPING GENERAL FUND DEBT			\$ 55,605,160
GROSS COMBINED TOTAL DEBT		(2)	\$ 75,831,599
NET COMBINED TOTAL DEBT			\$ 75,490,309

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2012-2013 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.16%
Gross Combined Total Debt	0.63%
Net Combined Total Debt	0.62%

Source: MuniServices, LLC

CITY OF LAGUNA NIGUEL

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 12,116,818
Debt limit (3.75% of assessed value)	454,381
Debt applicable to limit	-
Legal debt margin	<u>\$ 454,381</u>

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 356,084	\$ 356,096	\$ 388,304	\$ 425,493	\$ 452,843	\$ 458,468	\$ 445,486	\$ 445,972	\$ 449,697	\$ 454,381
Debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	356,084	356,096	388,304	425,493	452,843	458,468	445,486	445,972	449,697	454,381
Total debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Note:

The general laws of the State of California for municipalities provide for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was established based on 25% of market value. Effective with FY 1981-82, taxable property is assessed at 100% of market value. Although the debt limit provision has not been amended by the State since this change, the percentage has been proportionately modified to 3.75% for the purpose of this calculation for the consistency with the original intent of the State's debt limit.

CITY OF LAGUNA NIGUEL

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u> ^d	<u>Per Capita Income</u> ^d	<u>Taxable Sales Per Capita</u> ^a	<u>Registered Voters</u> ^c	<u>Housing Units</u>	<u>Median Home Value</u> ^b	<u>Unemployment Rate</u> ^e
2004	65,620	\$ 2,881,151	\$ 43,907	\$ 16,810	38,201	24,664	\$ 506,000	3.30%
2005	65,800	3,045,454	46,283	16,509	40,387	24,723	640,000	2.90%
2006	65,959	3,285,765	49,815	16,779	40,684	24,793	682,500	2.60%
2007	66,058	3,445,747	52,162	16,730	40,454	24,831	787,500	3.00%
2008	66,522	3,506,042	52,705	16,597	41,472	24,908	556,000	4.10%
2009	67,117	3,423,303	51,005	15,821	42,351	24,982	510,000	7.00%
2010	67,666	3,235,788	47,820	13,531	42,102	25,035	495,000	7.50%
2011	63,228	3,880,866	55,196	16,036	42,996	25,363	515,000	7.20%
2012	63,691	3,172,067	49,804	16,652	41,913	25,374	490,500	6.80%
2013	64,065	3,236,436	50,518	16,989	37,840	25,392	609,000	4.40%

Notes

^a Taxable sales is based upon sales tax revenue reported by the City on the modified accrual basis of accounting.

^b Median home value includes both single family and condo/townhouse units.

Years 2004-2007 were calculated from information from the OC Assessors office.

Data for years 2008-2010 and 2013 were obtained from HdL.

Data for year 2012 were obtained from CLR Search.

^c Data for year 2012 and 2013 were obtained from OC Registrar of Voters.

^{d, e} Data for years 2012 and 2013 were obtained from HdL, Coren & Cone.

Source: State Department of Finance
HdL, Coren & Cone
U.S. Department of Labor, Bureau of Labor Statistics
Center for Demographic Research
Orange County Assessor
O.C. Registrar of Voters
CLR Search
Cassidy Turley

**CITY OF LAGUNA NIGUEL
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND FIVE YEARS AGO**

<u>Employer</u>	<u>2013</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Costco Wholesale Corporation	500	1	1.32%	500	2	3.07%
Wal-Mart Stores, Inc.	326	2	0.86%	280	4	1.72%
Capistrano Unified School District	286	3	0.75%	245	5	1.50%
Whole Foods Market	250	4	0.66%			
Mercedes-Benz of Laguna Niguel	222	5	0.59%			
Home Depot USA, Inc.	183	6	0.48%	400	3	2.45%
YMCA	175	7	0.46%			
Albertsons, Inc.	168	8	0.44%	210	6	1.29%
Interface Associates, Inc.	139	9	0.37%			
First Team Real Estate, Inc.	129	10	0.34%	140	7	0.86%
County of Orange				1,201	1	7.36%
Miguel's Auto Broker				137	8	0.84%
State of California				124	9	0.76%
Kohl's Department Stores, Inc.				121	10	0.74%
Total	<u>2,378</u>		<u>6.27%</u>	<u>3,358</u>		<u>20.59%</u>

Note

Employment data is not available for years previous to 2006.

Source: MuniServices, LLC for 2013 information/2008 information from previously published CAFR

CITY OF LAGUNA NIGUEL

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
City Council	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
City Manager	4.0	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0	4.0
City Clerk	2.0	3.5	3.5	3.5	3.5	2.5	2.5	2.5	2.5	2.5
Finance	3.0	3.5	3.5	3.5	4.5	4.5	4.5	4.5	5.0	5.0
Public Safety										
Police Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Emergency Preparedness	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Community Development										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Planning	8.2	8.2	8.2	9.2	10.2	10.2	9.2	9.2	8.2	8.2
Building and Safety	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public works										
Administration	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Engineering	5.0	5.5	6.5	7.5	7.5	7.5	7.5	7.0	7.0	8.0
Median Maintenance	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	-	0.8
Park Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.0
Slope Maintenance	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-	0.8
City Hall	-	-	-	-	-	-	-	-	-	1.5
Parks and Recreation										
Administration	3.0	3.0	3.0	3.0	3.0	2.5	3.0	3.0	3.0	3.0
Recreational Programs	10.0	10.0	10.0	10.0	12.0	11.0	11.0	14.0	11.0	11.0
Aquatics	8.0	8.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	7.0
Skateboard Park	5.5	6.0	6.0	6.0	6.0	5.0	5.0	5.0	4.0	5.0
Sea Country Senior & Community Center	8.0	8.0	8.0	8.0	7.0	7.0	8.0	8.0	11.0	11.0
Totals	70.7	72.7	74.7	76.7	81.2	77.7	78.2	80.7	79.2	81.3

Note

For part-time employees, full-time equivalent employment is calculated by dividing part-time labor costs by average hourly wage and total labor hours of 2,080. The City is a full contract City and contracts out the following services: Police and Fire Services; Street Maintenance, including Street Sweeping; Park, Slope and Median Landscape Maintenance; Metrolink Station and Park Building Maintenance, and Building and Planning Inspection Services.

Source: Finance Department

CITY OF LAGUNA NIGUEL

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Patrol units	24	24	24	24	24	24	24	24	24	24
Patrol motorcycles	2	2	3	3	3	3	3	3	3	3
Public Works										
Street miles	140	140	140	140	140	140	140	140	140	140
Traffic signals	80	80	80	80	80	80	80	80	80	80
Parks and Recreation										
Acreage	135	135	135	135	135	135	135	135	135	135
City parks	29	29	29	29	29	29	29	29	29	29
Playgrounds	19	19	20	20	20	20	20	20	20	20
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	16	16	16	16	16	16	16	16	16	16
Soccer fields	16	16	16	16	16	16	16	16	16	16
Community centers	2	2	2	2	2	2	2	2	2	2

Note

No capital asset indicators are available for the general government or community development functions.

Sources: Various city departments

CITY OF LAGUNA NIGUEL

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police priority one response time (minutes)	5.43	5.05	4.50	5.12	4.33	4.35	4.65	4.78	4.68	6.53
Fire response time (minutes)	6.13	6.45	6.15	6.15	6.54	6.03	6.67	6.40	6.05	6.57
Traffic citations	5,685	5,663	5,484	5,470	5,286	5,640	*	4,033	4,908	3,808
Parking citations	*	*	*	2,882	2,056	2,301	2,207	1,574	1,210	1,207
Community development										
Permits issued	2,636	2,494	2,764	2,783	2,837	1,992	1,850	1,988	2,230	2,242
Public works										
Streets miles resurfaced	7.1	11.3	0.8	6.1	22.1	22.0	15.1	8.8	30.4	0.2

Notes

*Data not available

Sources:

- City of Laguna Niguel Community Report Card
- Annual Safe City Plan Update
- Data Ticket
- Public Works Department
- Community Development Department