

CITY OF LAGUNA NIGUEL CALIFORNIA



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

**CITY OF LAGUNA NIGUEL
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2012**

CITY COUNCIL

**Paul Glaab, Mayor
Joe Brown, Mayor Pro Tem
Gary Capata, Council Member
Linda Lindholm, Council Member
Robert Ming, Council Member**

CITY MANAGER

Tim Casey

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

CITY OF LAGUNA NIGUEL

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CITY OF LAGUNA NIGUEL

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CITY of LAGUNA NIGUEL

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Phone/949•362•4300 Fax/949•362•4340

CITY COUNCIL

Joe Brown
Gary Capata
Paul G. Glaab
Linda Lindholm
Robert Ming

December 18, 2012

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

LETTER OF TRANSMITTAL 2011-2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

It is a pleasure to submit the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. 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, 2012 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 2012, the State of California Department of Finance listed the City's population as 63,691. 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 2011-2012, but there were signs of improvement. For the first time in three years the City's largest revenue source, property tax, did not experience a decrease, instead remaining relatively flat versus FY 2010-2011 signaling a stabilization and improvement of the local housing market. Sales tax revenue, the City's second largest revenue source, experienced a substantial increase over prior year due to increased revenue from the automobile, fuel, restaurant, and general consumer goods sectors. These positive results contributed to the City completing FY 2011-2012 in good financial health. Total General Fund operating revenues exceeded operating expenditures by \$8.5 million. At June 30, 2012, 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 very long and slow 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 4.5% to 5.5% annually over the next three years and annual retail sales growth of 5.5%. 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 10.3% to 11.2% range through 2014. California State University, Fullerton, in their most current forecast for Orange County, predicts the economy accelerating from an estimated 1.9% annual job-growth rate this year to 3.0% percent by 2014, resulting in the creation of 26,500 new jobs countywide this year and ultimately jumping to 42,400 in 2014. This expected job growth will drop Orange County's current average unemployment rate from 7.9% to 6.7% in 2014. The University further forecasts the County's median home price to increase by 5.0% to 7.0% next year.

Locally, the City's unemployment rate will likely continue to hover around the 6.7% - 7.0% range, and the City's growth in property tax revenue is expected to be flat in FY 2012-2013 compared to the previous year. Sales tax revenue is expected to increase in FY 2012-2013 due to the City realizing a full year's worth of new sales tax revenues generated by new retailers like Whole Foods and Hobby Lobby coming online. Retail sales for the period January 2012 through June 2012 are up 4.0% over the same time period in 2011. The City was able to adopt a budget for 2012-13 that maintains all existing service levels and programs and provides \$7.1 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, 2012, the Governor signed the 2012-2013 Budget Act. The budget closes a \$15.7 billion gap and forecasts a reserve of nearly \$1 billion, relying primarily on temporary taxes passed by the voters during the November 2012 election. The budget bill provides \$48.8 million in state-mandated local programs; however, it suspended 56 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. Budget trailer legislation 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:

Library Expansion

The County of Orange and the City jointly funded the renovation and expansion of the County-owned Laguna Niguel Branch Library. The County was responsible for the first \$1.5 million of project design and construction costs and the City was responsible for the balance of project costs. The City Council had appropriated a total of \$3.5 million for this project. Construction of this project began in November 2010 and reopened on August 19, 2012.

Annual Street Resurfacing Program

The City embarked on a five-year \$30 million street improvement program during FY 2007-2008. This program will upgrade or provide necessary maintenance to substantially every residential City street over a five year period. For FY 2011-2012, the City appropriated \$6 million as the fifth and final installment in the five-year program. The FY 2012-2013 Adopted Budget includes an appropriation of \$3.2 to maintain the City's streets in the enhanced condition resulting from the five-year street improvement program.

Crown Valley Parkway Widening Project – Phase I

In March of 2011, the construction contract was awarded for the Crown Valley Parkway/I-5 Widening Project. This project will widen eastbound Crown Valley from Cabot Road to the I-5 northbound ramps to improve traffic flow and expand roadway capacity to accommodate the expected growth in the City's Gateway area. The project will add a dedicated right turn lane (beginning at Forbes Road) for the southbound I-5 ramp, a dedicated right turn lane for the northbound ramp and four continuous eastbound through lanes to match the current four through lanes that begin in Mission Viejo at the northbound ramp. The total cost estimate for the project is \$11.3 million. The City has been awarded \$5 million in Orange County Transportation Authority (OCTA) funding for the project and will share the balance of the costs equally with the City of Mission Viejo since the overpass is situated in Mission Viejo. The project is expected to be completed in January 2013.

Crown Valley Parkway Widening Project – Phase II

A companion project to Crown Valley Parkway Widening Project – Phase I, this project will widen eastbound Crown Valley Parkway from Cabot Road to Forbes Road. This project will provide a continuous fourth eastbound through lane and will allow the City to install dual left turn lanes from eastbound Crown Valley to northbound Forbes to accommodate future development. The total cost estimate for the project is \$3.0 million. The City has been awarded \$1.5 million in Orange County Transportation Authority (OCTA) funding for the project and will coordinate the work on this project with the Crown Valley Parkway Widening Project – Phase I to complete these projects simultaneously. The project is expected to be completed in January 2013.

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 2011-2012, the City Council and City Management:

- Completed construction of the new City Hall.
- 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, 2011.

Public Safety

Once again, as outlined in the May 2012 Safe City Annual Report, Laguna Niguel continues to experience lower and, in some instances, dropping, crime rates as compared with most every City in Orange County. Laguna Niguel is ranked the 4th safest municipality in the County according to the Federal Bureau of Investigation. Some reasons for this multi-year trend are the progressive posture of Police Services in areas of crime prevention, traffic collision prevention, and community outreach/education in a variety of public safety areas. Some examples of the effectiveness of these programs are visible in the steady decline in juvenile service cases since 2007 and a 15.5% drop in traffic collisions in 2011. The community and law enforcement relationship is further strengthened with the delivery of the following programs in FY 2011-2012:

- 16th Annual Citizen's Academy
- Second Annual National Night Out
- Revitalized Neighborhood Watch Program
- Multi-Agency Point of Dispensing Exercise
- Senior Safety and Crime Prevention Programs

Community and Economic Development

During FY 2011-2012, 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:

- Adoption of the comprehensive update to the Gateway Specific Plan and Program Environmental Impact Report to transform the 315-acre area between the I-5 Freeway and the 73 Toll Road into a vibrant pedestrian and transit-oriented pedestrian village.
- Completion of entitlements for:
 - Career Lofts Project, the first high-density residential project in the Gateway with 142 units (67 du/ac), including a 5% very-low affordable housing component.
 - Life Time Fitness, a new 128,000 square foot health club to replace the vacant Home Expo Design Center.
 - Aliso Creek Village Center Remodel, an extensive exterior remodel of the in-line tenants to compliment the new design of the Whole Foods Market.
 - Several new restaurants throughout the City: Pei Wei (Plaza De La Paz), Tastes of Greece Expansion (Crown Valley Center), L.J. Bistro (Laguna Niguel Plaza).
- Completion of construction and opening of several new major retail businesses, including Whole Foods Market, Hobby Lobby, Fresh & Easy Market and Cinopolis Luxury Theaters.
- Completion of construction and opening of a New Model Complex including four (4) homes, and an additional eight (8) production homes in the San Joaquin Hills neighborhood.
- Commencement of one (1) new lease and completion of five (5) separate wireless telecommunication sites within the public right-of-way through the City's streamlined administrative review process.
- Adoption of the Housing Element Update and certification from the State Department of Housing and Community Development.

Public Works and Infrastructure

The City completed over \$15 million of public works and infrastructure investment during FY 2011-2012, including:

- City Hall Construction Project
- Camino Capistrano Street and Landscape Improvement Project – Phase II
- Crown Valley Community Park Synthetic Grass Replacement Project
- Niguel Woods Overlay and Subdrain Improvements
- Citywide Street Resurfacing Program.

In addition, as discussed above, the City is continuing its work on Phases I and II of the Crown Valley Parkway Widening Project, and expects both phases to be completed by January 2013.

Parks and Recreation

During FY 2011-2012 the City:

- Coordinated the Grand Opening Celebration for the new City Hall
- Coordinated the 11th Annual 9/11 Remembrance Event
- Coordinated the Annual Holiday Parade, with approximately 10,000 people in attendance
- Implemented a new senior citizen transportation program
- Began the planning process for the Crown Valley Park Master Plan and Community Recreation Needs Assessment.

FUTURE WORK PROGRAM INITIATIVES

Many of the City's priorities, projects, and programs will be continued throughout FY 2012-2013. Work Program highlights include:

- Appointing a Mayor and Mayor Pro Tem for 2013.
- Completing recruitment and selection of new City Manager.
- Conducting November 2012 Municipal Election.
- Providing quarterly "Laguna Niguel Disaster Ready" programs for Laguna Niguel residents.
- Presenting Safe City Plan Annual Report.

- Continuing entitlement processing of additional high-density and mixed-use projects in the Gateway area.
- Continuing implementation of the Gateway Specific Plan, including consideration to establish a developer impact fee program, create a master sign and way-finding program, and initiate final designs for the Oso Creek Trail, Forbes Road, and Crown Valley Parkway improvements.
- Commencing preparation of the 2014-2021 Update of the City General Plan Housing Element.
- Completing vendor selection and commencing implementation of a new land management and permitting software.
- Completing construction of the Salt Creek Trail Enhancement project.
- Preparing funding application(s) for Measure M2 street and environmental projects.
- Completing construction of Crown Valley Parkway Widening Project Phase I – Forbes to I-5.
- Completing construction of Crown Valley Parkway Widening Project Phase I – Cabot to Forbes.
- Soliciting proposals for street sweeping services.
- Completing Crown Valley Park Master Plan.

OTHER INFORMATION

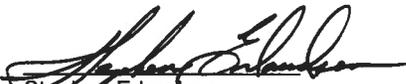
Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Laguna Niguel for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the 12th consecutive year that the 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.

Respectfully submitted:



 Tim Casey
 City Manager



 Stephen Erlandson
 Director of Finance

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

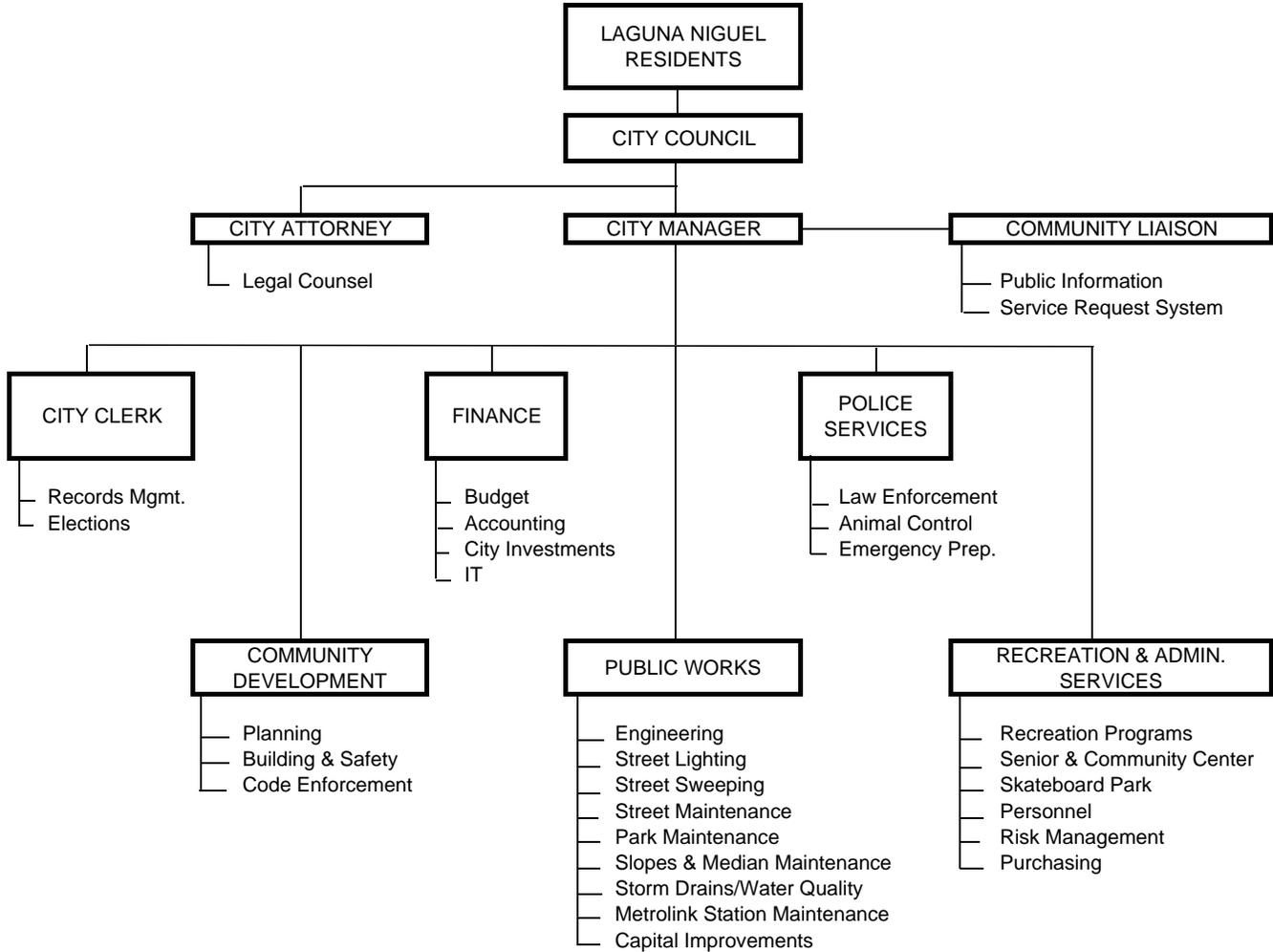
President

Jeffrey R. Emer

Executive Director

CITY OF LAGUNA NIGUEL

ORGANIZATIONAL CHART
JUNE 30, 2012



CITY OF LAGUNA NIGUEL

**ELECTED OFFICIALS AND MANAGEMENT STAFF
JUNE 30, 2012**

CITY COUNCIL

Gary Capata, Mayor
Paul Glaab, Mayor Pro Tem
Joe Brown, Council Member
Linda Lindholm, Council Member
Robert Ming, Council Member

DEPARTMENT HEADS AND MANAGEMENT STAFF

City Manager.....Tim Casey

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. Andy Ferguson

Community Liaison.....Tobi Thomas

Deputy Director of Recreation.....John Banks

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

Planning Manager.....Jeff Gibson



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Niguel, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Laguna Niguel, California management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's June 30, 2011 financial statements and, in our report dated October 13, 2012, we expressed unqualified on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the City of Laguna Niguel, California'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* and should be considered in assessing the results of our audit.

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



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

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laguna Niguel California's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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.

Lance, Solt & Lughard, LLP

Brea, California
November 29, 2012

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, 2012. 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 Assets*

The Statement of Net Assets 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 assets*. Over time, increases or decreases in net assets 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 assets 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 on pages 13-14 of this report.

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 on pages 15-23 of this report.

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 on pages 25-47 of this report.

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 on pages 49-52 of this report.

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 on pages 53-63 of this report.

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 Assets • 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 Assets • Statement of Revenues, Expenses and Changes in Net Assets • 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, 2012 by \$620.0 million. The amount is referred to as the net assets of the City. Of this amount, \$68.3 is unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets, before consideration of a (\$773,793) prior period adjustment, increased by \$5.5 million during the past year; that is, total revenues exceeded total expenses by \$5.5 million. After consideration of the prior period adjustment, the City's net assets increased by \$4.7 million. This compares to the prior year increase of \$306,900. FY 2011-2012 revenue increased by \$3.7 million and expenses (primarily public works) decreased by \$4.4 million compared to FY 2010-2011 levels.
- At the close of FY 2011-2012, the City's governmental funds reported combined ending fund balances of \$69.1 million, an increase of \$300,000 compared to the prior year. Of the total \$69.1 million fund balances at year-end, \$67.3 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, 2012, the committed, assigned, and unassigned portions of fund balance of the General Fund, the City's chief operating fund, totaled \$67.9 million.
- Of the total fund balance of the General Fund at June 30, 2012, the City Council has committed \$26.8 million for capital asset replacement, and has assigned \$22.9 million for continuing appropriations and \$4.0 million for streets and roads. In addition, the Council has set aside \$13.4 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 assets and changes in net assets of the City's governmental activities presented in the Government-Wide Statement of Net Assets and Statement of Activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$620.0 million at June 30, 2012.

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

Governmental Activities			
Net Assets at June 30			
(in millions)			
	2012	2011	Increase/ (Decrease) from 2011
Cash and investments	\$ 72.4	\$ 74.4	\$ (2.0)
Other assets	3.8	4.5	(0.7)
Capital assets	550.2	545.9	4.3
Total assets	626.4	624.8	1.6
Long-term debt outstanding	0.9	0.7	0.2
Other liabilities	5.5	8.8	(3.3)
Total liabilities	6.4	9.5	(3.1)
Net assets:			
Invested in capital assets	550.2	545.9	4.3
Restricted	1.5	0.6	0.9
Unrestricted	68.3	68.8	(0.5)
Total net assets, as restated	\$ 620.0	\$ 615.3	\$ 4.7

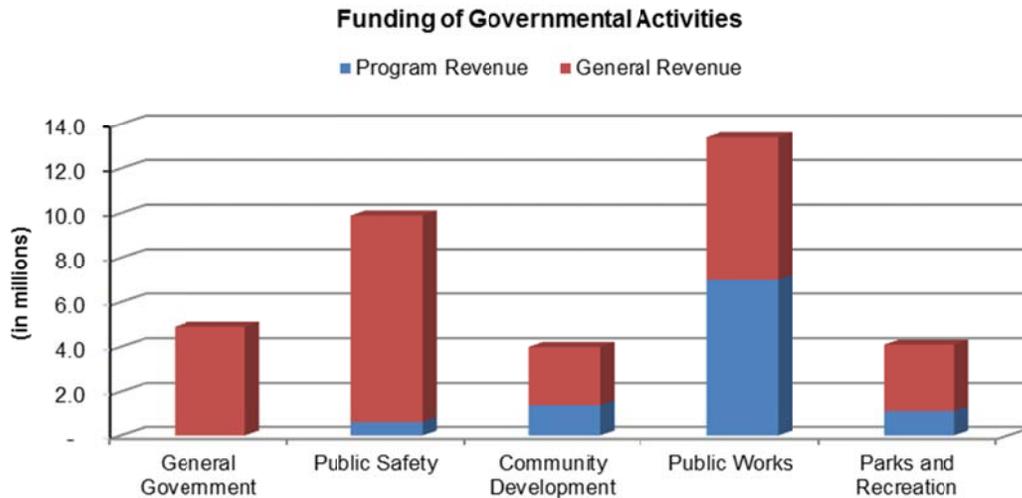
Before consideration of a (\$773,793) prior period adjustment, the City's net assets increased by \$5.5 million; however, after consideration of the prior period adjustment, the City's net assets increased by \$4.7 million, or 0.8%, during FY 2011-2012. Assets increased \$1.6 million and liabilities decreased \$3.1 million compared to June 30, 2011. The increase in net assets is due primarily to the increase in capital assets. The most significant addition to capital assets in FY 2011-2012 was construction in progress for the Crown Valley Parkway Widening Project – Phase I. 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:

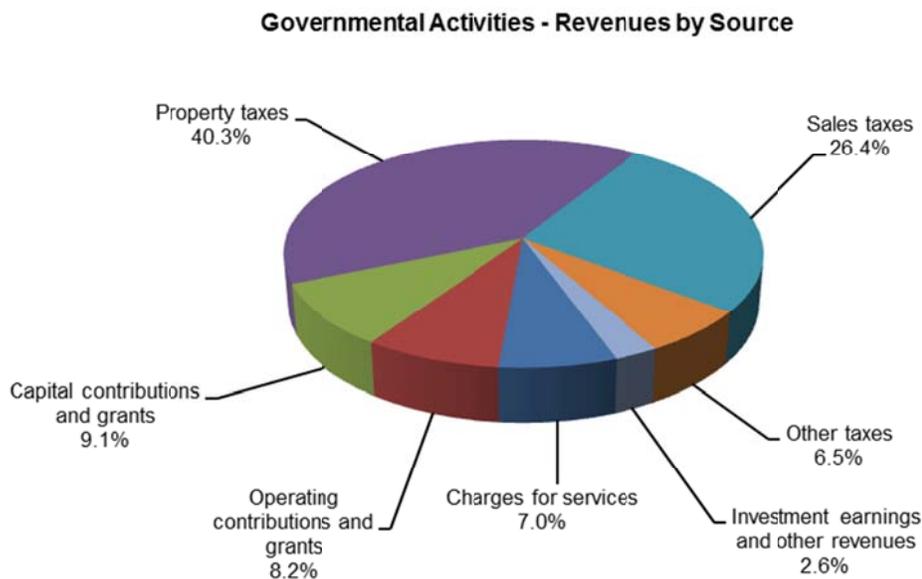
Governmental Activities			
Changes in Net Assets for the Year Ended June 30			
(in millions)			
	2012	2011	Increase/ (Decrease) from 2011
Revenues:			
Program revenues:			
Charges for services	\$ 2.9	\$ 2.5	\$ 0.4
Operating contributions and grants	3.4	3.3	0.1
Capital contributions and grants	3.9	1.3	2.6
Total program revenues	10.2	7.1	3.1
General revenues:			
Property taxes	16.8	16.8	-
Sales taxes	11.0	9.7	1.3
Other taxes	2.7	2.6	0.1
Investment earnings	1.0	1.2	(0.2)
Other revenues	0.1	0.7	(0.6)
Total general revenues	31.6	31.0	0.6
Total revenues	41.8	38.1	3.7
Program expenses:			
General government	4.9	4.0	0.9
Public safety	9.9	10.0	(0.1)
Community development	4.0	2.8	1.2
Public works	13.4	17.1	(3.7)
Parks and recreation	4.1	3.9	0.2
Total expenses	36.3	37.8	(1.5)
Increase in net assets	5.5	0.3	5.2
Beginning net assets	615.3	615.0	0.3
Restatement of net assets	(0.8)	-	(0.8)
Ending net assets	\$ 620.0	\$ 615.3	\$ 4.7

The City's total revenues were \$41.8 million in FY 2011-2012, while the total cost of all programs was \$36.3 million. Total revenues increased by \$3.7 million, or 9.7%, from prior year levels and total expenses decreased by \$1.5 million. FY 2011-2012 program revenue increased \$3.1 million from the prior year, primarily a result of greater capital grants for street-related projects. FY 2011-2012 general revenue also increased from the prior year. The \$0.6 million increase is mostly attributable to a substantial increase in sales tax revenue resulting from escalations in same store sales, a rise in "triple flip" backfill funds, and new retailers coming on line during the fiscal year. The increase in sales tax revenue was partially offset by (1) the State's reallocation of motor vehicle license fee revenue from cities to State law enforcement grants and (2) a decline in investment earnings resulting from the continuing decline in longer-term interest rates.

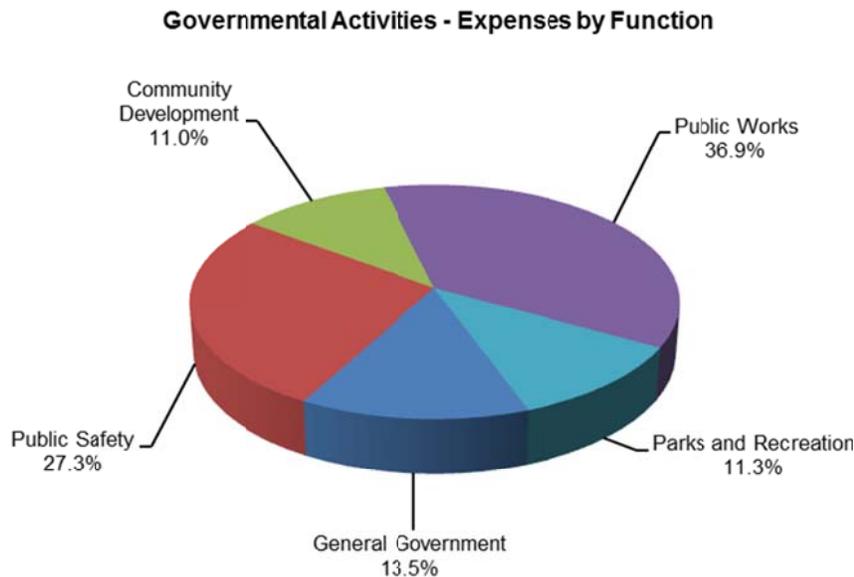
The cost of all governmental activities this year was \$36.3 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was \$26.3 million because some of the cost was paid by those who directly benefited from the programs (\$2.9 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$7.1 million). The following chart graphically depicts the amount of general revenue used in relation to program revenue in funding governmental activities.



Approximately 73.1% of all revenues this past year came from some form of tax. The figure is down from 76.4% in FY 2010-2011. Property tax revenue, the City's largest revenue source, accounted for 40.3% of total City revenue, compared to 44.1% 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 26.4% of total revenues, up from 25.5% 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 36.9% of total expenses in FY 2011-2012, compared to 45.2% 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 \$8.8 million in FY 2011-2012. 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 \$69.1 million, an increase of \$295,374, or 0.4%, in comparison with the prior year. Of the total combined ending fund balance, \$67.3 million, or 97.4%, is available for spending at the government's discretion. Of the remaining \$1.8 million, \$369,631 is classified as nonspendable, indicating that it is not in spendable form (prepaid costs and deposits), and \$1.4 million is restricted, indicating that its use is constrained by externally imposed limitations to be spent for public safety, community development, street, 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, the Orange County Transportation Authority and the U.S. Department of Energy. 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 \$3.1 million compared

to expenditures and transfers out of \$3.3 million. As a result, the deficit fund balance increased by \$196,008, from \$428,679 to \$624,687. 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 Camino Capistrano Street and Landscape Improvement Project. These project costs were moderately offset by partial grant reimbursements related to the Crown Valley Parkway Widening Project – Phase I and the Paseo de Colinas Bridge Seismic Retrofit 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 \$12.7 million for the current fiscal year, a decrease of \$13.5 million from the previous fiscal year. This decrease is primarily due to the completion of the permanent City Hall project in which total City Hall expenditures were \$3.8 million for the current year compared to \$16.8 million last year.

A number of capital projects budgeted in FY 2011-2012 and previous fiscal years were not yet finished at June 30, 2012, the largest being annual street resurfacing, the Paseo de Colinas bridge seismic retrofit, and Crown Valley Parkway widening projects. The unexpended appropriations for these unfinished projects totaled \$20.7 million at year-end and were re-appropriated by the City Council on June 19, 2012.

- 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 \$13.4 million, while total fund balance was \$68.3 million. General Fund revenues exceeded expenditures this year by \$8.5 million; however, the fund balance of the City's General Fund decreased by \$377,081, or 0.5%, during the current fiscal year. The reason for the decline was due to transfers to the City Capital Projects Fund, which totaled \$8.9 million this year. These transfers primarily funded the Crown Valley Parkway Widening Project – Phase I, the completion costs for the permanent City Hall, 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 2011-2012 was \$34.0 million. During the course of the year, estimated revenues were increased by a net amount of \$3.1 million, resulting in a final revenue budget of \$37.1 million. The most significant increases are attributable to:

- \$1.1 million of estimated cost sharing reimbursements from the City of Mission Viejo for their portion of the Crown Valley Parkway Widening Project – Phase I;
- \$1.4 million of budgetary “transfers in” due to the permanent City Hall being completed under budget;
- \$300,000 of additional sales tax and “triple flip” backfill funds;
- \$150,000 of additional building and safety fee revenue; and
- \$90,000 of additional planning fee revenue.

The original adopted General Fund operating budget for FY 2011-12 was \$27.6 million. The original budget was then modified by \$2.4 million to include carry-over encumbrances and the re-appropriation of previous year appropriations, for a total beginning operating budget of \$30.0 million. During the course of the fiscal year, total General Fund appropriations were increased by \$134,756, for a final amended budget of \$30.1 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 \$7.0 million. The original budget was then modified by \$17.3 million to include carry-over encumbrances and the re-appropriation of previous year appropriations for a total beginning, capital budget of \$24.3 million. The final amended budget totaled \$25.4 million, a net increase of \$1.1 million in mid-year budget adjustments. The amendment was due to the appropriation of \$1.1 million 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 \$3.3 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, 2012. Appropriations for these uncompleted programs and projects were re-appropriated by the City Council on June 19, 2012 in the amount of \$2.4 million. Some of the more significant projects include the implementation of a citywide document imaging system (accumulated appropriation of \$116,861), public safety programs and initiatives (\$387,521), playgrounds/parkland inspections (accumulated appropriation of \$96,709), storm drain/water quality programs and initiatives (accumulated appropriation of \$651,803), and the purchase of furniture, equipment, and other capital assets for the furnishing of the expanded Senior and Community Center (accumulated appropriation of \$277,388).

Actual transfers out to the City Capital Projects Fund to fund capital project expenditures for the year were \$18.3 million less than the final budget. The entire balance of this amount was re-appropriated by the City Council on June 19, 2012. Of this amount, \$12.7 million is for the Annual Street Resurfacing project and \$1.5 million is for the Crown Valley Parkway Widening Project – Phase II.

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	2011	Increase/ (Decrease) from 2011
Land	\$ 271.1	\$ 271.1	\$ -
Construction in progress	7.0	25.9	(18.9)
Buildings and improvements	43.3	18.9	24.4
Park improvements	8.5	10.0	(1.5)
Swimming pool	0.8	0.6	0.2
Furniture and equipment	0.6	0.4	0.2
Vehicles	0.2	0.3	(0.1)
Infrastructure	218.7	218.7	-
Total	<u>\$ 550.2</u>	<u>\$ 545.9</u>	<u>\$ 4.3</u>

The City's investment in capital assets, net of accumulated depreciation, increased \$4.3 million, or 0.7%, during FY 2011-2012. Significant capital asset events during the fiscal year included:

- completion of the permanent City Hall building at a total capitalized cost of \$24.9 million; and
- infrastructure additions of \$1.9 million for the Avery Parkway Improvement Project and \$1.6 million for the Camino Capistrano Street and Landscape Improvement Project; and

The capital projects above were included in the construction in progress balance in the prior year; however, upon completion of these projects in FY 2011-2012, they were reclassified by their physical asset type. The City depreciates all its capital assets over their estimated useful lives. The addition of capital assets was partially offset by total annual depreciation for the current fiscal year in the amount of \$6.2 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, 2012, the City had no outstanding debt.

NEXT YEAR'S BUDGET

The FY 2012-2013 General Fund budget is \$34.0 million, which is a 1.4% decrease from the FY 2011-2012 adopted budget. General Fund estimated revenues exceed operating budget appropriations by \$5.3 million. The budget provides for a total transfer of \$5.3 million to the City Capital Projects Fund to meet capital needs.

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 ASSETS
JUNE 30, 2012

	Total Governmental Activities	
	2012	2011
Assets:		
Cash and investments	\$ 72,352,896	\$ 74,359,186
Receivables		
Accounts	530,216	490,234
Taxes	1,816,148	1,463,097
Interest	297,216	437,004
Permits	36,075	12,075
Prepaid costs	367,671	361,223
Deposits	1,960	15,677
Due from other governments	792,765	1,745,336
Capital assets not being depreciated	278,111,849	296,959,969
Capital assets, net of depreciation	<u>272,086,987</u>	<u>248,972,701</u>
Total Assets	<u>626,393,783</u>	<u>624,816,502</u>
Liabilities:		
Accounts payable	3,832,152	6,079,651
Accrued salaries	273,661	232,072
Unearned revenues	177,418	177,418
Deposits payable	981,741	946,797
Retentions Payable	297,611	1,340,857
Noncurrent liabilities:		
Due within one year	182,391	21,777
Due in more than one year	<u>671,571</u>	<u>718,960</u>
Total Liabilities	<u>6,416,545</u>	<u>9,517,532</u>
Net Assets:		
Invested in capital assets	550,198,836	545,932,670
Restricted for:		
Public safety	279,242	265,628
Community development	15	-
Streets	856,606	1,753
Air quality improvement	295,413	296,113
Unrestricted	<u>68,347,126</u>	<u>68,802,806</u>
Total Net Assets	<u>\$ 619,977,238</u>	<u>\$ 615,298,970</u>

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
					2012	2011
Functions/Programs						
Primary Government:						
Governmental Activities:						
General government	\$ 4,955,909	\$ 3,686	\$ 4,029	\$ -	\$ (4,948,194)	\$ (4,023,986)
Public safety	9,867,718	404,197	136,549	-	(9,326,972)	(9,492,997)
Community development	3,970,610	1,143,063	254,934	-	(2,572,613)	(936,712)
Public works	13,434,792	218,091	2,972,842	3,848,007	(6,395,852)	(13,393,861)
Parks and recreation	4,088,348	1,107,502	8,155	-	(2,972,691)	(2,808,388)
Total Governmental Activities	36,317,377	2,876,539	3,376,509	3,848,007	(26,216,322)	(30,655,944)
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					16,820,273	16,812,673
Sales taxes					11,044,440	9,673,445
Franchise taxes					2,320,351	2,277,125
Other taxes					404,659	387,800
Motor vehicle in lieu - unrestricted					33,476	308,560
Use of money and property					953,081	1,181,878
Other					92,106	319,363
Gain on sale of capital asset					-	2,000
Total General Revenues					31,668,386	30,962,844
Change in Net Assets					5,452,064	306,900
Net Assets at Beginning of Year					615,298,970	614,992,070
Restatement of Net Assets					(773,796)	-
Net Assets at End of Year					\$619,977,238	\$615,298,970

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Special Revenue Fund Miscellaneous Grants</u>	<u>Capital Projects Fund City Capital Projects</u>	<u>Other Governmental Funds</u>
Assets:				
Cash and investments	\$ 68,164,213	\$ -	\$ 1,985,168	\$ 1,330,214
Receivables				
Accounts	530,216	-	-	-
Taxes	1,816,148	-	-	-
Interest	297,216	-	-	-
Permits	36,075	-	-	-
Prepaid costs	367,671	-	-	-
Deposits	1,960	-	-	-
Due from other governments	221,741	188,937	-	382,087
Due from other funds	630,912	-	-	-
Total Assets	<u>\$ 72,066,152</u>	<u>\$ 188,937</u>	<u>\$ 1,985,168</u>	<u>\$ 1,712,301</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,036,801	\$ 6,837	\$ 1,510,139	\$ 278,375
Accrued salaries	273,661	-	-	-
Deferred revenues	505,917	178,525	-	-
Unearned revenues	-	-	177,418	-
Deposits payable	981,741	-	-	-
Due to other funds	-	628,262	-	2,650
Retentions Payable	-	-	297,611	-
Total Liabilities	<u>3,798,120</u>	<u>813,624</u>	<u>1,985,168</u>	<u>281,025</u>
Fund Balances:				
Nonspendable	369,631	-	-	-
Restricted	-	-	-	1,431,276
Committed	27,616,266	-	-	-
Assigned	26,900,314	-	-	-
Unassigned	13,381,821	(624,687)	-	-
Total Fund Balances	<u>68,268,032</u>	<u>(624,687)</u>	<u>-</u>	<u>1,431,276</u>
Total Liabilities and Fund Balances	<u>\$ 72,066,152</u>	<u>\$ 188,937</u>	<u>\$ 1,985,168</u>	<u>\$ 1,712,301</u>

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Total Governmental Funds	
	2012	2011
Assets:		
Cash and investments	\$ 71,479,595	\$ 73,612,823
Receivables		
Accounts	530,216	490,234
Taxes	1,816,148	1,463,097
Interest	297,216	437,004
Permits	36,075	12,075
Prepaid costs	367,671	361,223
Deposits	1,960	15,677
Due from other governments	792,765	1,745,336
Due from other funds	630,912	1,153,860
	<u>630,912</u>	<u>1,153,860</u>
Total Assets	<u>\$ 75,952,558</u>	<u>\$ 79,291,329</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 3,832,152	\$ 6,079,651
Accrued salaries	273,661	232,072
Deferred revenues	684,442	581,427
Unearned revenues	177,418	177,418
Deposits payable	981,741	946,797
Due to other funds	630,912	1,153,860
Retentions Payable	297,611	1,340,857
	<u>297,611</u>	<u>1,340,857</u>
Total Liabilities	<u>6,877,937</u>	<u>10,512,082</u>
Fund Balances:		
Nonspendable	369,631	376,900
Restricted	1,431,276	563,494
Committed	27,616,266	28,003,766
Assigned	26,900,314	26,880,508
Unassigned	12,757,134	12,954,579
	<u>12,757,134</u>	<u>12,954,579</u>
Total Fund Balances	<u>69,074,621</u>	<u>68,779,247</u>
Total Liabilities and Fund Balances	<u>\$ 75,952,558</u>	<u>\$ 79,291,329</u>

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>2012</u>	<u>2011</u>
Fund balances of governmental funds	\$ 69,074,621	\$ 68,779,247
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	549,978,172	545,606,017
Compensated absences have not been included in the governmental fund activity.	(812,642)	(740,737)
CJPIA retrospective liability has not been included in the governmental fund activity.	(41,320)	-
Revenues reported as deferred revenue in the governmental funds are recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	684,442	581,427
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 Assets.	<u>1,093,965</u>	<u>1,073,016</u>
Net assets of governmental activities	<u>\$ 619,977,238</u>	<u>\$ 615,298,970</u>

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Special Revenue Fund Miscellaneous Grants</u>	<u>Capital Projects Fund City Capital Projects</u>	<u>Other Governmental Funds</u>
Revenues:				
Taxes	\$ 30,106,150	\$ -	\$ -	\$ -
Licenses and permits	1,289,809	-	-	-
Intergovernmental	1,301,890	3,101,160	-	3,112,985
Charges for services	1,100,414	-	-	-
Use of money and property	942,544	394	-	18,263
Fines and forfeitures	374,666	-	-	-
Contributions	12,155	-	-	-
Miscellaneous	157,250	-	-	-
Total Revenues	35,284,878	3,101,554	-	3,131,248
Expenditures:				
Current:				
General government	4,514,765	-	-	-
Public safety	9,713,168	-	-	99,996
Community development	2,707,274	41,977	-	77,396
Public works	6,610,866	-	-	1,571,056
Parks and recreation	3,217,560	-	-	-
Capital outlay	-	-	12,668,248	-
Total Expenditures	26,763,633	41,977	12,668,248	1,748,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,521,245	3,059,577	(12,668,248)	1,382,800
Other Financing Sources (Uses):				
Transfers in	40,517	-	12,668,248	-
Transfers out	(8,938,843)	(3,255,585)	-	(514,337)
Total Other Financing Sources (Uses)	(8,898,326)	(3,255,585)	12,668,248	(514,337)
Net change in fund balances	(377,081)	(196,008)	-	868,463
Fund Balances, Beginning of Year	68,645,113	(428,679)	-	562,813
Fund Balances, End of Year	\$ 68,268,032	\$ (624,687)	\$ -	\$ 1,431,276

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Total Governmental Funds	
	2012	2011
Revenues:		
Taxes	\$ 30,106,150	\$ 29,616,877
Licenses and permits	1,289,809	1,062,646
Intergovernmental	7,516,035	6,094,250
Charges for services	1,100,414	1,014,934
Use of money and property	961,201	1,169,515
Fines and forfeitures	374,666	373,906
Contributions	12,155	12,070
Miscellaneous	157,250	319,363
	<u>41,517,680</u>	<u>39,663,561</u>
Total Revenues		
Expenditures:		
Current:		
General government	4,514,765	4,249,263
Public safety	9,813,164	9,973,477
Community development	2,826,647	2,739,393
Public works	8,181,922	7,993,308
Parks and recreation	3,217,560	3,117,227
Capital outlay	12,668,248	26,922,744
	<u>41,222,306</u>	<u>54,995,412</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>295,374</u>	<u>(15,331,851)</u>
Other Financing Sources (Uses):		
Transfers in	12,708,765	27,683,833
Transfers out	<u>(12,708,765)</u>	<u>(27,683,833)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net change in fund balances	<u>295,374</u>	<u>(15,331,851)</u>
Fund Balances, Beginning of Year	<u>68,779,247</u>	<u>84,111,098</u>
Fund Balances, End of Year	<u>\$ 69,074,621</u>	<u>\$ 68,779,247</u>

See Notes to Financial Statements

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, 2012**

	<u>2012</u>	<u>2011</u>
Net change in fund balances - total governmental funds	\$ 295,374	\$ (15,331,851)
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 expense in the current period.	5,146,822	17,061,500
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.	(71,905)	19,482
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)	-
Revenues reported as deferred revenue in the governmental funds are recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	103,015	(1,393,874)
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.	<u>20,078</u>	<u>(48,357)</u>
Change in net assets of governmental activities	<u>\$ 5,452,064</u>	<u>\$ 306,900</u>

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	Governmental Activities - Internal Service Fund Vehicle Replacement Fund	
	2012	2011
Assets:		
Current:		
Cash and investments	\$ 873,301	\$ 746,363
Total Current Assets	873,301	746,363
Noncurrent:		
Vehicles - net of accumulated depreciation	220,664	326,653
Total Noncurrent Assets	220,664	326,653
Total Assets	1,093,965	1,073,016
Liabilities and Net Assets:		
Liabilities:	-	-
Total Liabilities	-	-
Net Assets:		
Invested in capital assets	220,664	326,653
Unrestricted	873,301	746,363
Total Net Assets	1,093,965	1,073,016
Total Liabilities and Net Assets	\$ 1,093,965	\$ 1,073,016

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund Vehicle Replacement Fund	
	2012	2011
Operating Revenues:		
Charges for services	\$ 111,653	\$ 55,252
Miscellaneous	-	1,000
Total Operating Revenues	111,653	56,252
Operating Expenses:		
Depreciation expense	95,058	118,972
Total Operating Expenses	95,058	118,972
Operating Income (Loss)	16,595	(62,720)
Nonoperating Revenues (Expenses):		
Interest revenue	10,536	12,363
Gain (loss) on sale of capital assets	(7,053)	2,000
Total Nonoperating Revenues (Expenses)	3,483	14,363
Changes in Net Assets	20,078	(48,357)
Net Assets:		
Beginning of Year	1,073,016	1,121,373
Prior Period Adjustment	871	-
Beginning of Year, as restated	1,073,887	1,121,373
End of Year	\$ 1,093,965	\$ 1,073,016

See Notes to Financial Statements

CITY OF LAGUNA NIGUEL

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund Vehicle Replacement Fund	
	2012	2011
Cash Flows from Operating Activities:		
Cash received from users	\$ 111,653	\$ 56,252
Net Cash Provided (Used) by Operating Activities	111,653	56,252
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	-	(26,555)
Proceeds from sales of capital assets	4,749	2,000
Net Cash Provided (Used) by Capital and Related Financing Activities	4,749	(24,555)
Cash Flows from Investing Activities:		
Interest received	10,536	12,363
Net Cash Provided (Used) by Investing Activities	10,536	12,363
Net Increase (Decrease) in Cash and Cash Equivalents	126,938	44,060
Cash and Cash Equivalents at Beginning of Year	746,363	702,303
Cash and Cash Equivalents at End of Year	\$ 873,301	\$ 746,363
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 16,595	\$ (62,720)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	95,058	118,972
Total Adjustments	95,058	118,972
Net Cash Provided (Used) by Operating Activities	\$ 111,653	\$ 56,252

Non-Cash Investing, Capital, and Financing Activities:

There were no non-cash investing, capital, or financing activities during the year ended June 30, 2012.

See Notes to Financial Statements

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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.

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, 2012. 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 Assets 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 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 Assets. The Statement of Activities presents changes in net assets 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (generally 60 days after year-end), which are recognized when due. 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.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 deferred 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 Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for each proprietary fund.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. 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. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989.

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.

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.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accumulated depreciation, is reported on the Statement of Net Assets 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	25
Park improvements	15
Furniture and equipment	5 - 10
Vehicles	3 - 7

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Assets

The Balance Sheet – Governmental Funds includes a reconciliation between *Total Fund Balances – Total Governmental Funds* as reported in the statement and *Total Net Assets - Governmental Activities* as reported in the Statement of Net Assets. 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 Assets includes those capital assets among the assets of the City as a whole.

Capital assets not being depreciated	\$ 278,111,849
Capital assets, net of depreciation	271,866,323
	<u>\$ 549,978,172</u>

Non-Current Liability Transactions

Non-current liabilities applicable to the City's governmental activities including compensated absences and the California Joint Powers Insurance Authority (CJPIA) retrospective liability are not reported as fund liabilities in the Balance Sheet - Governmental Funds, but are reported in the Statement of Net Assets. Balances at June 30, 2012, for compensated absences were as follows:

Compensated absences, due within one year	\$ 182,391
Compensated absences, due in more than one year	630,251
CJPIA retrospective liability	41,320
	<u>\$ 853,962</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Deferred Revenue

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

Grant revenue	\$ 345,791
Sales tax	160,000
Triple flip	178,651
	\$ 684,442
	\$ 684,442

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 Assets. The fund had no liabilities at fiscal year-end.

Cash and investments	\$ 873,301
Capital assets, net of depreciation	220,664
	\$ 1,093,965
	\$ 1,093,965

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 Assets - 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 assets decrease by the amount of depreciation expense charged for the year.

Current year capital assets	\$ 11,547,916
Current year depreciation	(6,059,244)
Current year deletions	(341,850)
	\$ 5,146,822
	\$ 5,146,822

Long-term Liability Transactions

Some expenses, such as for compensated absences and the CJPIA retrospective liability, 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. Compensated absence balances increased during FY 2011-12.

Net change in compensated absences	\$ (71,905)
Net change in CJPIA retrospective liability	(41,320)
	\$ (113,225)
	\$ (113,225)

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Deferred (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 deferred revenue	\$ 684,442
Prior year deferred revenue	(581,427)
	\$ 103,015

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	\$ 111,653
Use of money and property	10,536
Depreciation expense	(95,058)
Gain (loss) on sale of capital asset	(7,053)
	\$ 20,078

NOTE 3: CASH AND INVESTMENTS

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

Cash and cash equivalents:	
Cash on hand	\$ 450
Demand Deposits	49,784
Total cash and cash equivalents	50,234
Investments:	
Certificate of deposit	59,575
U.S. Treasury money market mutual fund	48,029
State Local Agency Investment Fund (LAIF)	34,261,122
California Asset Management Program (CAMP)	6,035,335
Investment Trust of California (CalTRUST)	4,802,941
U.S. Treasury Notes	2,048,640
Federal Agency securities	25,047,020
Total investments	72,302,662
Total cash and cash equivalents	\$ 72,352,896

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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	15%	\$ 10 Million
Investment Trust of California (CalTRUST)	N/A	15%	\$ 10 Million
State Local Agency Investment Fund (LAIF)	N/A	40%	\$ 40 Million
Insured Certificates of Deposit	5 Years	30%	\$ 250,000
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	\$ 2,048,640	\$ 1,012,230	\$ 1,036,410	\$ -
Federal Agency securities	25,047,020	11,238,570	4,227,140	9,581,310
U.S. Treasury money market fund	48,029	48,029	-	-
Certificates of deposit	59,575	59,575	-	-
CAMP	6,035,335	6,035,335	-	-
CalTRUST	4,802,941	4,802,941	-	-
LAIF	34,261,122	34,261,122	-	-
Totals	<u>\$72,302,662</u>	<u>\$57,457,802</u>	<u>\$ 5,263,550</u>	<u>\$ 9,581,310</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 2,048,640	N/A	\$ 2,048,640	\$ -	\$ -
Federal Agency securities	25,047,020	N/A	-	25,047,020	-
U.S. Treasury MMF	48,029	N/A	-	48,029	-
C.D.s	59,575	N/A	-	59,575	-
CAMP	6,035,335	N/A	-	6,035,335	-
CalTRUST	4,802,941	N/A	-	4,802,941	-
LAIF	34,261,122	N/A	-	-	34,261,122
Totals	<u>\$72,302,662</u>		<u>\$ 2,048,640</u>	<u>\$ 35,933,325</u>	<u>\$ 34,261,122</u>

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, 2012 and throughout the fiscal year.

Investments in any one issuer that represent 5% or more of total City investments at June 30, 2012 are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency securities	\$ 11,437,010
Federal National Mortgage Association	Federal Agency securities	8,340,530
Federal Home Loan Mortgage Corp.	Federal Agency securities	4,224,750
CAMP	Investment pool	6,035,335
CalTRUST	Investment pool	4,802,941
LAIF	Investment pool	34,261,122

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 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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3: CASH AND INVESTMENTS (Continued)

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, 2012, 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.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

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 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

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 3: CASH AND INVESTMENTS (Continued)

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	Prior Period Adjustment	Increases	Decreases	Ending Balance
Non-depreciable assets:					
Land	\$ 271,068,667	\$ -	\$ -	\$ -	\$ 271,068,667
Construction in progress	25,891,302	-	5,668,409	(24,516,529)	7,043,182
Total non-depreciable assets	<u>296,959,969</u>	<u>-</u>	<u>5,668,409</u>	<u>(24,516,529)</u>	<u>278,111,849</u>
Depreciable assets:					
Buildings and improvements	23,922,907	-	24,935,145	-	48,858,052
Park improvements	24,461,212	-	750,741	(613,085)	24,598,868
Swimming pool	2,110,391	-	264,044	-	2,374,435
Furniture and equipment	1,371,549	-	465,853	(521,686)	1,315,716
Vehicles	1,015,208	38,558	-	(26,559)	1,027,207
Infrastructure	309,979,823	-	3,980,253	-	313,960,076
Total depreciable assets	<u>362,861,090</u>	<u>38,558</u>	<u>30,396,036</u>	<u>(1,161,330)</u>	<u>392,134,354</u>
Less accumulated depreciation:					
Buildings and improvements	(5,077,496)	-	(537,958)	-	(5,615,454)
Park improvements	(14,426,522)	(774,664)	(1,195,006)	284,695	(16,111,497)
Swimming pool	(1,476,618)	-	(104,592)	-	(1,581,210)
Furniture and equipment	(956,172)	-	(249,382)	508,226	(697,328)
Vehicles	(688,551)	(37,687)	(95,058)	14,753	(806,543)
Infrastructure	(91,263,029)	-	(3,972,306)	-	(95,235,335)
Total accumulated depreciation	<u>(113,888,388)</u>	<u>(812,351)</u>	<u>(6,154,302)</u>	<u>807,674</u>	<u>(120,047,367)</u>
Total depreciable assets, net	<u>248,972,702</u>	<u>(773,793)</u>	<u>24,241,734</u>	<u>(353,656)</u>	<u>272,086,987</u>
Governmental activities capital assets, net	<u>\$ 545,932,671</u>	<u>\$ (773,793)</u>	<u>\$ 29,910,143</u>	<u>\$(24,870,185)</u>	<u>\$ 550,198,836</u>

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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	\$ 275,482,844	\$ 3,879,527	\$ -	\$ 279,362,371
Storm drains	20,399,315	100,726	-	20,500,041
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>309,979,823</u>	<u>3,980,253</u>	<u>-</u>	<u>313,960,076</u>
Less accumulated depreciation:				
Streets	(78,634,948)	(3,466,564)	-	(82,101,512)
Storm drains	(7,618,416)	(271,463)	-	(7,889,879)
Traffic signals	(2,660,773)	(135,665)	-	(2,796,438)
Bridges	(1,354,834)	(34,954)	-	(1,389,788)
Trails	(994,058)	(63,660)	-	(1,057,718)
Total accumulated depreciation	<u>(91,263,029)</u>	<u>(3,972,306)</u>	<u>-</u>	<u>(95,235,335)</u>
Total infrastructure assets, net	<u><u>\$ 218,716,794</u></u>	<u><u>\$ 7,947</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 218,724,741</u></u>

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

Governmental activities:	
General government	\$ 82,014
Public safety	39,385
Community development	26,863
Public works	5,270,215
Parks and recreation	735,825
Total depreciation expense – governmental activities	<u><u>\$ 6,154,302</u></u>

CITY OF LAGUNA NIGUEL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5: INTERFUND ACTIVITY

The composition of interfund balances as of June 30, 2012, is as follows:

Interfund receivables/payables:

Due from:

Miscellaneous Grants Fund	\$ 628,262
Community Development Block Grant Fund	2,650
Total due to General Fund	<u>\$ 630,912</u>

All interfund balances are short-term in nature and are expected to be repaid within one year. The Miscellaneous Grants and Community Development Block Grant (CDBG) funds had negative cash balances at June 30, 2012. 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	\$ -	\$ 8,938,843	\$ 8,938,843
Miscellaneous Grants Funds	-	3,255,585	3,255,585
Nonmajor Governmental Funds	40,517	473,820	514,337
Total transfers out	<u>\$ 40,517</u>	<u>\$ 12,668,248</u>	<u>\$ 12,708,765</u>

Most transfers relate to capital projects. Total capital project transfers were \$12,668,248. 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, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Compensated absences	\$ 740,737	\$ 634,542	\$ (562,637)	\$ 812,642
CJPIA retrospective liability	-	41,320	-	41,320
Total long-term liabilities	<u>\$ 740,737</u>	<u>\$ 675,862</u>	<u>\$ (562,637)</u>	<u>\$ 853,962</u>

Of the balance due for compensated absences, the amount of the ending balance that is due within one year is \$182,391. Payments for compensated absences and the CJPIA retrospective liability are recorded in the General Fund.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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. 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. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (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 \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7: LIABILITY, PROPERTY, AND WORKERS' COMPENSATION PLAN (Continued)

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, 2012 had a liability program retrospective deposit due of \$41,320.

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.

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

NOTE 7: LIABILITY, PROPERTY, AND WORKERS' COMPENSATION PLAN (Continued)

dates. The October 2011 annual retrospective adjustment is included in these balances. The City at June 30, 2012 had a retrospective refund due to the City in the amount of \$128,632.

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 2011-2012 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.

Purchased Insurance

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

A. 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.

B. 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 \$31,814,346. 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.

C. 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.

D. 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.

E. Special Event Tenant User Liability Insurance

The City of Laguna Niguel further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Laguna Niguel according to a schedule. The City of Laguna Niguel then pays for the insurance. The insurance is arranged by the Authority.

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 7: LIABILITY, PROPERTY, AND WORKERS' COMPENSATION PLAN (Continued)

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 2011-2012.

NOTE 8: CLASSIFICATION OF NET ASSETS AND FUND BALANCE

A. Net Assets

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

- Invested in capital assets describe the portion of net assets which is represented by the current net book value of the City's capital assets, including infrastructure.
- Restricted net assets describe the portion of net assets, 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 assets describe the portion of net assets, which are not restricted as to use.

B. Fund Balances

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.

Details of the fund balance classifications at June 30, 2012 are as follows:

	General Fund	Miscellaneous Grants	Capital Projects	Nonmajor Governmental	Totals
Nonspendable					
Prepaid costs	\$ 367,671	\$ -	\$ -	\$ -	\$ 367,671
Deposits	1,960	-	-	-	1,960
Total nonspendable	369,631	-	-	-	369,631
Restricted					
Public safety	-	-	-	279,242	279,242
Community development	-	-	-	15	15
Streets	-	-	-	856,606	856,606
Air quality improvement	-	-	-	295,413	295,413
Total restricted	-	-	-	1,431,276	1,431,276

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 8: CLASSIFICATION OF NET ASSETS AND FUND BALANCE (Continued)

	General Fund	Miscellaneous Grants	Capital Projects	Nonmajor Governmental	Totals
Committed					
Compensable leaves	812,642	-	-	-	812,642
Capital asset replacement:					
Streets	20,102,718	-	-	-	20,102,718
Other capital assets	6,700,906	-	-	-	6,700,906
Total committed	27,616,266	-	-	-	27,616,266
Assigned					
Continuing appropriations:					
Capital projects:					
Chapparosa parking lot improvements	115,000	-	-	-	115,000
La Plata landscape improvements	281,526	-	-	-	281,526
Botanical Preserve water conservation	118,000	-	-	-	118,000
Crown Valley Park master plan	562,727	-	-	-	562,727
Sea Country flooring replacement	289,000	-	-	-	289,000
Salt Creek Corridor enhancement	175,000	-	-	-	175,000
Crown Valley Parkway widening - phase I	90,054	-	-	-	90,054
Crown Valley Parkway widening - phase II	1,500,000	-	-	-	1,500,000
Paseo De Colinas bridge retrofit	392,558	-	-	-	392,558
LN Gateway Specific Plan improvements	903,892	-	-	-	903,892
La Veta neighborhood improvements	432,456	-	-	-	432,456
Annual street resurfacing	12,738,439	-	-	-	12,738,439
Annual sidewalk program	413,162	-	-	-	413,162
OCTA Tier I cleanup	243,960	-	-	-	243,960
Laguna Niguel library expansion	290,683	-	-	-	290,683
Permanent City Hall	86,702	-	-	-	86,702
Other projects	2,128,185	-	-	-	2,128,185
General government operations	470,599	-	-	-	470,599
Public safety operations	387,521	-	-	-	387,521
Community development operations	121,609	-	-	-	121,609

CITY OF LAGUNA NIGUEL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8: CLASSIFICATION OF NET ASSETS AND FUND BALANCE (Continued)

	General Fund	Miscellaneous Grants	Capital Projects	Nonmajor Governmental	Totals
Public works operations	775,066	-	-	-	775,066
Parks and recreation operations	393,313	-	-	-	393,313
Streets and roads	3,981,661	-	-	-	3,981,661
Senior citizen building	9,201	-	-	-	9,201
Total assigned	<u>26,900,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,900,314</u>
Unassigned	<u>13,381,821</u>	<u>(624,687)</u>	<u>-</u>	<u>-</u>	<u>12,757,134</u>
Total fund balance	<u>\$ 68,268,032</u>	<u>\$ (624,687)</u>	<u>\$ -</u>	<u>\$ 1,431,276</u>	<u>\$ 69,074,621</u>

The fund balances assigned to streets and roads and senior citizen building represent the fund balances at June 30, 2012 of separate funds that are maintained for budgetary purposes. The unassigned fund balance in the General Fund consists of the \$13,381,821 budgetary reserve for economic uncertainty.

Accumulated Fund Deficits

The following funds reported a deficit in fund balance at June 30, 2012. This deficit is the result of unavailable grant revenue at June 30, 2012 and will be eliminated upon receipt of the grant reimbursement in the following fiscal year.

Fund	Amount
Special Revenue Funds:	
Miscellaneous Grants	\$ (624,687)

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, 2012. 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.

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9: JOINT VENTURE (Continued)

Summarized information of the Authority for the fiscal year ended June 30, 2012 is as follows:

Total assets	\$	376,665,967
Total liabilities		(108,120,816)
Total net assets	\$	<u>268,545,151</u>
Total revenue	\$	265,212,548
Total expenses		(284,296,768)
Net decrease in net assets	\$	<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. For full-time employees hired on or before October 1, 2011, the City makes the contributions required of full-time City employees on their behalf and for their account. For full-time employees hired after October 1, 2011, the employee pays the entire 7% contribution. The City is required to contribute for fiscal year 2011-2012 at an actuarially determined rate of 10.539% and 7.733% of annual covered payroll for the 2% at 55 and 2% at 60 risk pools, respectively.

Required Contribution

For 2011-2012, the City's annual pension cost of \$851,920 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 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 2011-2012, 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

CITY OF LAGUNA NIGUEL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 10: DEFINED BENEFIT PENSION PLAN (Continued)

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>
6/30/10	\$ 707,115	100%	\$ -
6/30/11	801,771	100%	-
6/30/12	851,920	100%	-

NOTE 11: OPERATING LEASES

The City has entered into 9 operating leases for copiers and other equipment. Lease terms are 60 months with expiration dates ranging from March 31, 2013 to November 30, 2017.

The annual lease obligations outstanding as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Rental Payments</u>
2013	\$ 50,796
2014	24,722
2015	19,337
2016	16,879

Total lease obligation expenditures were \$99,265 for fiscal year ended June 30, 2012.

NOTE 12: 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.

CITY OF LAGUNA NIGUEL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13: OUTSTANDING COMMITMENTS

Prior to the end of the fiscal year, the City awarded several consulting and capital project contracts. At June 30, 2012 the unpaid balances of the significant contracts are as follows:

<u>Contracts</u>	<u>Balances</u>
Crown Valley Parkway Widening Project – Phase I	\$ 2,307,601
Crown Valley Parkway Widening Project – Phase II	<u>1,947,811</u>
	<u>\$ 4,255,412</u>

The City has agreed to share the costs of the Crown Valley Parkway Widening Project – Phase I with the City of Mission Viejo and its Community Development Agency. The City will make the required contract payments and then bill Mission Viejo for their 50% share, net of any project grant funds.

These commitments, including the City's net share of the Crown Valley Parkway Widening Project – Phase I net of Mission Viejo's contribution and project grant funds, have been recorded as encumbrances at year-end in the General Fund. They are included in fund balance assigned to continuing appropriations.

NOTE 14: PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

The City recorded prior-period adjustments in the Government-Wide Financial Statements. Accordingly, net assets have been restated as follows:

Governmental Activities:

To adjust vehicles removed in prior year added back this year	\$ 38,558
To adjust accumulated depreciation on park equipment	(774,664)
To adjust accumulated depreciation on vehicles	<u>(37,687)</u>
	<u>\$ (773,793)</u>

B. Fund Financial Statements

The City recorded the following prior-period adjustment in the Funds Financial Statements. Accordingly, net assets have been restated as follows:

Proprietary Fund:

Vehicle Replacement Fund:

To adjust vehicles removed in prior year added back this year	\$ 38,558
To adjust accumulated depreciation on vehicles	<u>(37,687)</u>
	<u>\$ 871</u>

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CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Taxes	\$ 29,553,700	\$ 29,691,450	\$ 30,106,150	\$ 414,700	\$ 29,616,877
Licenses and permits	1,023,300	1,267,807	1,289,809	22,002	1,062,646
Intergovernmental	-	56,476	1,301,890	1,245,414	849,566
Charges for services	1,175,860	1,139,110	1,100,414	(38,696)	1,014,934
Use of money and property	1,833,200	1,829,600	942,544	(887,056)	1,158,105
Fines and forfeitures	366,000	422,000	374,666	(47,334)	373,906
Contributions	6,000	8,100	12,155	4,055	12,070
Miscellaneous	55,330	1,242,190	157,250	(1,084,940)	319,363
Total Revenues	34,013,390	35,656,733	35,284,878	(371,855)	34,407,467
Expenditures:					
General government	4,954,590	6,000,949	4,514,765	1,486,184	4,249,263
Public safety	10,029,354	10,107,525	9,713,168	394,357	9,867,482
Community development	2,343,641	2,828,884	2,707,274	121,610	2,609,396
Public works	6,822,829	7,423,636	6,610,866	812,770	6,924,515
Parks and recreation	3,465,454	3,798,875	3,217,560	581,316	3,117,227
Total Expenditures	27,615,868	30,159,869	26,763,633	3,396,237	26,767,883
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,397,522	5,496,864	8,521,245	3,024,382	7,639,584
Total Other Financing Sources (Uses):					
Transfers in	31,490	1,414,199	40,517	(1,373,682)	191,089
Transfers out	(7,532,349)	(30,539,693)	(8,938,843)	21,600,850	(23,976,072)
Total Other Financing Sources (Uses)	(7,500,859)	(29,125,494)	(8,898,326)	20,227,167	(23,784,983)
Net change in fund balances	(1,103,337)	(23,628,631)	(377,081)	23,251,549	(16,145,399)
Fund Balances, Beginning of Year	68,645,113	68,645,113	68,645,113	-	84,790,512
Fund Balances, End of Year	\$ 67,541,776	\$ 45,016,482	\$ 68,268,032	\$ 23,251,549	\$ 68,645,113

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 MISCELLANEOUS GRANTS
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Intergovernmental	\$ 2,679,533	\$ 8,058,955	\$ 3,101,160	\$ (4,957,795)	\$ 1,911,237
Use of money and property	400	550	394	(156)	694
Total Revenues	2,679,933	8,059,505	3,101,554	(4,957,951)	1,911,931
Expenditures:					
Community development	46,533	46,533	41,977	4,556	39,050
Total Expenditures	46,533	46,533	41,977	4,556	39,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,633,400	8,012,972	3,059,577	(4,962,507)	1,872,881
Total Other Financing Sources (Uses):					
Transfers in	-	-	-	-	570,000
Transfers out	(2,633,000)	(8,880,047)	(3,255,585)	5,624,462	(1,563,987)
Total Other Financing Sources (Uses)	(2,633,000)	(8,880,047)	(3,255,585)	5,624,462	(993,987)
Net change in fund balances	400	(867,075)	(196,008)	661,955	878,894
Fund Balances, Beginning of Year	(428,679)	(428,679)	(428,679)	-	(1,307,573)
Fund Balances, End of Year	\$ (428,279)	\$ (1,295,754)	\$ (624,687)	\$ 661,955	\$ (428,679)

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 CITY CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Expenditures:					
Capital Outlay	11,606,440	40,692,156	12,668,248	28,023,908	26,922,744
Total Expenditures	11,606,440	40,692,156	12,668,248	28,023,908	26,922,744
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,606,440)	(40,692,156)	(12,668,248)	28,023,908	(26,922,744)
Total Other Financing Sources (Uses):					
Transfers in	11,606,440	41,390,950	12,668,248	(28,722,702)	26,922,744
Total Other Financing Sources (Uses)	11,606,440	41,390,950	12,668,248	(28,722,702)	26,922,744
Net change in fund balances	-	698,794	-	(698,794)	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ 698,794	\$ -	\$ (698,794)	\$ -

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, 2012 were \$31,636,773.

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.

CITY OF LAGUNA NIGUEL

**NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

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

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Measure "M"</u>	<u>Prop 1B</u>	<u>Air Quality Improvement</u>
Assets:				
Cash and investments	\$ 116,766	\$ 644,711	\$ 1,775	\$ 280,099
Due from other governments	189,986	161,585	-	19,578
Total Assets	<u>\$ 306,752</u>	<u>\$ 806,296</u>	<u>\$ 1,775</u>	<u>\$ 299,677</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 258,217	\$ -	\$ -	\$ 4,264
Deferred revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>258,217</u>	<u>-</u>	<u>-</u>	<u>4,264</u>
Fund Balances:				
Restricted	48,535	806,296	1,775	295,413
Unassigned	-	-	-	-
Total Fund Balances	<u>48,535</u>	<u>806,296</u>	<u>1,775</u>	<u>295,413</u>
Total Liabilities and Fund Balances	<u>\$ 306,752</u>	<u>\$ 806,296</u>	<u>\$ 1,775</u>	<u>\$ 299,677</u>

CITY OF LAGUNA NIGUEL

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>		<u>Total Governmental Funds</u>	
	<u>Law</u>	<u>Community</u>		
	<u>Enforcement</u>	<u>Development</u> <u>Block Grant</u>	<u>2012</u>	<u>2011</u>
Assets:				
Cash and investments	\$ 286,863	\$ -	\$ 1,330,214	\$ 598,511
Due from other governments	712	10,226	382,087	707,093
Total Assets	<u>\$ 287,575</u>	<u>\$ 10,226</u>	<u>\$ 1,712,301</u>	<u>\$ 1,305,604</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 8,333	\$ 7,561	\$ 278,375	\$ 278,402
Deferred revenues	-	-	-	681
Due to other funds	-	2,650	2,650	463,708
Total Liabilities	<u>8,333</u>	<u>10,211</u>	<u>281,025</u>	<u>742,791</u>
Fund Balances:				
Restricted	279,242	15	1,431,276	563,494
Unassigned	-	-	-	(681)
Total Fund Balances	<u>279,242</u>	<u>15</u>	<u>1,431,276</u>	<u>562,813</u>
Total Liabilities and Fund Balances	<u>\$ 287,575</u>	<u>\$ 10,226</u>	<u>\$ 1,712,301</u>	<u>\$ 1,305,604</u>

CITY OF LAGUNA NIGUEL

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Measure "M"	Prop 1B	Air Quality Improvement
Revenues:				
Intergovernmental	\$ 1,885,364	\$ 960,416	\$ -	\$ 79,314
Use of money and property	805	9,963	22	3,662
Total Revenues	1,886,169	970,379	22	82,976
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	1,527,885	-	-	43,171
Total Expenditures	1,527,885	-	-	43,171
Excess (Deficiency) of Revenues Over (Under) Expenditures	358,284	970,379	22	39,805
Other Financing Sources (Uses):				
Transfers out	(309,749)	(164,083)	-	(40,505)
Total Other Financing Sources (Uses)	(309,749)	(164,083)	-	(40,505)
Net change in fund balances	48,535	806,296	22	(700)
Fund Balances, Beginning of Year	-	-	1,753	296,113
Fund Balances, End of Year	\$ 48,535	\$ 806,296	\$ 1,775	\$ 295,413

CITY OF LAGUNA NIGUEL

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Funds</u>		<u>Total Governmental Funds</u>	
	<u>Law</u>	<u>Community</u>	<u>2012</u>	<u>2011</u>
	<u>Enforcement</u>	<u>Development</u> <u>Block Grant</u>		
Revenues:				
Intergovernmental	\$ 109,799	\$ 78,092	\$ 3,112,985	\$ 3,333,447
Use of money and property	3,811	-	18,263	10,716
Total Revenues	113,610	78,092	3,131,248	3,344,163
Expenditures:				
Current:				
Public safety	99,996	-	99,996	105,995
Community development	-	77,396	77,396	90,947
Public works	-	-	1,571,056	1,068,793
Total Expenditures	99,996	77,396	1,748,448	1,265,735
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,614	696	1,382,800	2,078,428
Other Financing Sources (Uses):				
Transfers out	-	-	(514,337)	(2,143,774)
Total Other Financing Sources (Uses)	-	-	(514,337)	(2,143,774)
Net change in fund balances	13,614	696	868,463	(65,346)
Fund Balances, Beginning of Year	265,628	(681)	562,813	628,159
Fund Balances, End of Year	\$ 279,242	\$ 15	\$ 1,431,276	\$ 562,813

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Intergovernmental	\$ 1,817,400	\$ 1,746,400	\$ 1,885,364	\$ 138,964	\$ 1,680,517
Use of money and property	-	-	805	805	-
Total Revenues	1,817,400	1,746,400	1,886,169	139,769	1,680,517
Expenditures:					
Public works	1,544,000	1,527,885	1,527,885	-	1,039,865
Total Expenditures	1,544,000	1,527,885	1,527,885	-	1,039,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	273,400	218,515	358,284	139,769	640,652
Total Other Financing Sources (Uses):					
Transfers in	-	54,885	-	(54,885)	-
Transfers out	(273,400)	(309,749)	(309,749)	-	(640,652)
Total Other Financing Sources (Uses)	(273,400)	(254,864)	(309,749)	(54,885)	(640,652)
Net change in fund balances	-	(36,349)	48,535	84,884	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ (36,349)	\$ 48,535	\$ 84,884	\$ -

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 MEASURE M
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Intergovernmental	\$ 896,000	\$ 1,413,498	\$ 960,416	\$ (453,082)	\$ 692,154
Use of money and property	-	4,300	9,963	5,663	1,057
Total Revenues	896,000	1,417,798	970,379	(447,419)	693,211
Excess (Deficiency) of Revenues Over (Under) Expenditures	896,000	1,417,798	970,379	(447,419)	693,211
Total Other Financing Sources (Uses):					
Transfers out	(896,000)	(1,480,287)	(164,083)	1,316,204	(693,211)
Total Other Financing Sources (Uses)	(896,000)	(1,480,287)	(164,083)	1,316,204	(693,211)
Net change in fund balances	-	(62,489)	806,296	868,785	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ (62,489)	\$ 806,296	\$ 868,785	\$ -

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 PROP 1B
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Use of money and property	\$ -	\$ 50	\$ 22	\$ (28)	\$ (794)
Total Revenues	-	50	22	(28)	(794)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	50	22	(28)	(794)
Total Other Financing Sources (Uses):					
Transfers out	-	-	-	-	(63,246)
Total Other Financing Sources (Uses)	-	-	-	-	(63,246)
Net change in fund balances	-	50	22	(28)	(64,040)
Fund Balances, Beginning of Year	1,753	1,753	1,753	-	65,793
Fund Balances, End of Year	\$ 1,753	\$ 1,803	\$ 1,775	\$ (28)	\$ 1,753

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY IMPROVEMENT
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Intergovernmental	\$ 75,000	\$ 75,000	\$ 79,314	\$ 4,314	\$ 74,332
Use of money and property	8,000	6,000	3,662	(2,338)	5,614
Total Revenues	83,000	81,000	82,976	1,976	79,946
Expenditures:					
Public works	20,000	43,171	43,171	-	28,928
Total Expenditures	20,000	43,171	43,171	-	28,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,000	37,829	39,805	1,976	51,018
Total Other Financing Sources (Uses):					
Transfers in	-	23,171	-	(23,171)	-
Transfers out	(85,390)	(85,390)	(40,505)	44,885	(50,503)
Total Other Financing Sources (Uses)	(85,390)	(62,219)	(40,505)	21,714	(50,503)
Net change in fund balances	(22,390)	(24,390)	(700)	23,690	515
Fund Balances, Beginning of Year	296,113	296,113	296,113	-	295,598
Fund Balances, End of Year	\$ 273,723	\$ 271,723	\$ 295,413	\$ 23,690	\$ 296,113

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 LAW ENFORCEMENT
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Intergovernmental	\$ 100,000	\$ 100,000	\$ 109,799	\$ 9,799	\$ 100,016
Use of money and property	-	5,900	3,811	(2,089)	4,839
Total Revenues	100,000	105,900	113,610	7,710	104,855
Expenditures:					
Public safety	100,000	100,000	99,996	4	105,995
Total Expenditures	100,000	100,000	99,996	4	105,995
Net change in fund balances	-	5,900	13,614	7,706	(1,140)
Fund Balances, Beginning of Year	265,628	265,628	265,628	-	266,768
Fund Balances, End of Year	\$ 265,628	\$ 271,528	\$ 279,242	\$ 7,706	\$ 265,628

CITY OF LAGUNA NIGUEL

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	Original	Final			
Revenues:					
Intergovernmental	\$ 302,749	\$ 302,749	\$ 78,092	\$ (224,657)	\$ 630,341
Total Revenues	302,749	302,749	78,092	(224,657)	630,341
Expenditures:					
Community development	84,958	84,958	77,396	7,562	90,947
Total Expenditures	84,958	84,958	77,396	7,562	90,947
Excess (Deficiency) of Revenues Over (Under) Expenditures	217,791	217,791	696	(232,219)	539,394
Total Other Financing Sources (Uses):					
Transfers out	(217,791)	(267,791)	-	267,791	(540,075)
Total Other Financing Sources (Uses)	(217,791)	(267,791)	-	267,791	(540,075)
Net change in fund balances	-	(50,000)	696	35,572	(681)
Fund Balances, Beginning of Year	(681)	(681)	(681)	-	-
Fund Balances, End of Year	\$ (681)	\$ (50,681)	\$ 15	\$ 35,572	\$ (681)

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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>	67
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>	72
These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	
<i>Debt Capacity</i>	77
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>	80
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>	82
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 ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets	\$284,486,409	\$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
Restricted										
Public safety	367,888	246,129	248,388	248,246	292,802	254,851	242,315	266,768	265,628	279,242
Public works	1,465,729	1,940,818	1,288,289	1,510,298	697,650	556,515	832,601	374,801	-	-
Streets	-	-	-	-	-	-	-	-	1,753	856,606 ¹
Community development	10,254	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
Total restricted	1,843,871	2,203,061	1,736,435	1,954,988	1,206,264	873,178	1,138,468	708,462	563,494	1,431,276
Unrestricted	55,661,039	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
Total governmental activities net assets	\$341,991,319	\$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

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 ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
General government	\$ 3,371,251	\$ 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 ¹
Public safety	7,668,989	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
Community development	1,813,169	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
Public works	7,044,695	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 ²
Parks and recreation	3,607,700	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
Total expenses	23,505,804	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
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	343,335	333,614	404,839	398,167	411,654	469,455	367,029	439,378	375,499	404,197
Community development	1,046,930	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
Public works	183,013	161,311	114,327	216,116	301,497	234,525	149,584	251,728	17,950	218,091
Parks and recreation	701,985	772,470	767,799	930,132	1,136,165	1,039,992	1,027,064	959,966	1,014,934	1,107,502
Operating grants and contributions	2,869,269	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
Capital grants and contributions	741,399	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
Total program revenues	5,885,931	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
Net (expenses)/revenues	(17,619,873)	(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)

CITY OF LAGUNA NIGUEL
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues:										
Taxes:										
Property taxes	8,362,857	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 ³
Sales taxes	9,495,216	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
Franchise fees	1,599,863	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
Other taxes	745,159	977,904	925,448	794,102	514,883	369,355	306,998	402,131	387,800	404,659
Motor vehicle license fee	3,679,270	2,988,103	3,579,045	1,560,613	357,484	295,283	227,505	197,444	308,560	33,476 ³
Use of money and property	2,924,867	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 ^{4,5}
Other general revenue	812,561	490,744	330,909	1,517,681	378,186	43,193	468,380	264,425	321,363	92,106 ⁶
Total general revenue	27,619,793	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
Changes in net assets	\$ 9,999,920	\$ 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

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 assets upon the implementation of GASB 34 for fiscal year ended June 30, 2003. Net asset 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ 1,518,103	\$ 801,002	\$ 657,688	\$ 1,614,065	\$ 2,765,277	\$ 9,229,510	\$ 2,825,279	\$ 15,121,604	\$ -	\$ -
Unreserved	35,760,361	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 ²
Committed	-	-	-	-	-	-	-	-	28,003,766	27,616,266 ²
Assigned	-	-	-	-	-	-	-	-	26,880,508	26,900,314 ²
Unassigned	-	-	-	-	-	-	-	-	13,383,939	13,381,821 ²
Total general fund	\$ 37,278,464	\$ 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 ³
All other governmental funds										
Reserved	\$ 331,314	\$ 715,703	\$ 147,066	\$ 10,430	\$ -	\$ 5,235,544	\$ 1,169,155	\$ 528,985	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	19,236,020	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 ²
Unassigned	-	-	-	-	-	-	-	-	(429,360)	(624,687) ²
Total all other governmental funds	\$ 19,567,334	\$ 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 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 18,490,772	\$ 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
Licenses and permits	6,852,136	5,965,405	4,015,566	5,342,167	5,536,498	6,661,794	5,090,654	8,703,015	1,062,646	1,289,809 ²
Intergovernmental	1,931,928	2,346,791	2,008,952	2,595,053	2,854,763	2,711,824	2,134,061	2,186,186	6,094,250	7,516,035
Charges for services	1,599,863	1,748,801	1,856,585	2,037,713	2,258,166	2,266,240	2,350,145	2,314,813	1,014,934	1,100,414
Franchise fees	3,009,102	98,947	1,806,430	1,403,615	4,405,001	5,946,104	4,456,255	2,068,795	-	-
Use of money and property	343,335	333,614	404,839	398,168	373,594	435,708	344,817	392,873	1,169,515	961,201
Fines and forfeitures	72,316	50,505	118,813	-	-	-	184,779	-	373,906	374,666
Developer fees	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	12,070	12,155
Miscellaneous	874,357	595,225	382,786	1,670,583	545,400	324,699	413,575	504,205	319,363	157,250
Total revenues	33,173,809	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
Expenditures:										
Current:										
General government	3,397,443	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
Public safety	6,978,966	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
Community development	1,734,483	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
Public works	6,192,962	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
Parks and recreation	1,813,967	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
Capital outlay	8,639,415	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
Debt service:										
Principal	-	31,789	14,703	15,394	3,961	-	-	-	-	-
Interest	-	1,836	1,360	612	40	-	-	-	-	-
Total expenditures	28,757,236	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
Excess (deficiency) of revenues over (under) expenditures	4,416,573	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
Other Financing Sources (Uses):										
Capital leases	-	45,011	-	-	-	-	-	-	-	-
Transfers in	9,598,717	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
Transfers out	(9,682,550)	(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)
Total other financing sources (uses)	(83,833)	35,239	(310,848)	(83,816)	(31,000)	-	-	(137,828)	-	-
Net change in fund balances	\$ 4,332,740	\$ 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
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.16%	0.07%	0.06%	0.01%	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
2003	\$ 8,362,858	7%	\$ 9,495,216	17%	\$ 598,412	10%	\$ 34,286	36%	\$ -	-	\$ 18,490,772	12%
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%
Change 2003-2012		101%		16%		-39%		-5%		2%		65%

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	Residential	Commercial	Industrial	Other	Unsecured	Taxable Assessed Value	Total Direct Tax Rate		
							City	LNCSD	
2003	7,385,956,635	438,244,967	54,171,091	160,463,926	103,340,974	8,142,177,593	0.02416%	0.11047%	0.13463%
2004	8,067,179,736	515,918,734	68,779,300	12,365,295	108,580,522	8,772,823,587	0.02416%	0.11047%	0.13463%
2005	8,606,529,646	451,723,662	72,055,236	247,561,974	117,726,818	9,495,597,336	0.02416%	0.11047%	0.13463%
2006	9,341,908,470	470,804,846	79,077,831	346,757,965	116,234,687	10,354,783,799	0.13463%	0.00000%	0.13463%
2007	10,171,126,427	510,226,829	83,704,121	443,136,978	138,297,884	11,346,492,239	0.13463%	0.00000%	0.13463%
2008	10,778,543,263	543,566,388	85,864,384	538,347,363	129,484,621	12,075,806,019	0.13463%	0.00000%	0.13463%
2009	10,843,796,570	553,932,057	87,366,673	597,373,481	143,335,952	12,225,804,733	0.13463%	0.00000%	0.13463%
2010	10,518,498,308	651,650,711	89,240,368	473,981,671	146,266,109	11,879,637,167	0.13463%	0.00000%	0.13463%
2011	11,014,107,392	638,048,664	93,114,560	11,482,330	135,827,926	11,892,580,872	0.13463%	0.00000%	0.13463%
2012	11,117,732,120	638,400,300	94,093,029	11,004,369	130,694,433	11,991,924,251	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 2002/03 - 2011/12 combined tax rolls, through HdL, Coren & Cone.

CITY OF LAGUNA NIGUEL

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

Year	City		Overlapping Rates										Total Direct and Overlapping Rates
	Share of Direct Rate	County Direct Rate	Capistrano Unified	Capistrano Valley Water	Laguna Beach Unified	Laguna Beach Unified GO Refunding	Moulton Niguel Water Dist	Saddleback Valley Unified	South Coast Water	Metro Water			
2003	0.13463%	1.00%	0.01054%	0.00129%	0.02897%	0.00000%	0.18383%	0.00000%	0.01657%	0.01340%	1.25460%		
2004	0.13463%	1.00%	0.01292%	0.00000%	0.02594%	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%	0.18214%	0.03626%	0.01075%	0.01160%	1.27286%		
2006	0.13463%	1.00%	0.01078%	0.00000%	0.01897%	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%	0.09855%	0.03694%	0.00904%	0.00940%	1.18060%		
2008	0.13463%	1.00%	0.01019%	0.00000%	0.01808%	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%	0.10469%	0.02834%	0.00925%	0.00430%	1.17173%		
2010	0.13463%	1.00%	0.01077%	0.00000%	0.01683%	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%	0.03194%	0.00910%	0.00370%	1.19963%		
2012	0.13463%	1.00%	0.01101%	0.00000%	0.01601%	0.00000%	0.11957%	0.03163%	0.00828%	0.00370%	1.19020%		

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 2002/03 - 2011/12 Tax Rate Tables, through HdL, Coren & Cone

CITY OF LAGUNA NIGUEL

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2012				2003			
	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value
BRE Properties, Inc.	\$ 71,919,785	\$ 96,826	1	0.60%	\$ 62,300,000	\$ 83,874	1	0.81%
Sequoia Equities-Hidden Hills	51,305,277	69,072	2	0.43%	-	-	-	-
Shapell Industries, Inc.	47,188,602	63,530	3	0.39%	58,249,742	78,422	2	0.76%
Seaside Meadows Partners	43,815,696	58,989	4	0.37%	37,964,212	51,111	4	0.50%
Costco Wholesale Corporation	43,150,917	58,094	5	0.36%	-	-	-	-
FG Laguna Niguel Senior Apt. LP	36,982,886	49,790	6	0.31%	-	-	-	-
EQR Bond Partnership	36,668,625	49,367	7	0.31%	31,641,450	42,599	7	0.41%
Ocean Ranch II	35,788,635	48,182	8	0.30%	25,907,298	34,879	10	0.34%
Pointe Niguel Partners LP	34,462,861	46,397	9	0.29%	-	-	-	-
Mann Enterprises Inc.	32,582,164	43,865	10	0.27%	-	-	-	-
Stonebridge Investors Limited	-	-	-	-	44,369,999	59,735	3	0.58%
Stoneridge Investors Limited	-	-	-	-	37,740,000	50,809	5	0.49%
Laguna Niguel Investors	-	-	-	-	32,993,473	44,419	6	0.43%
Arden Reality Limited	-	-	-	-	30,584,526	41,176	8	0.40%
Voit La Paz Partner LLC	-	-	-	-	28,589,476	38,490	9	0.37%
Total	\$ 433,865,448	\$ 584,113		3.62%	\$ 390,340,176	\$ 525,515		5.10%

Source: Orange County Assessor 2011/12 and 2002/2003 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			Current Year Unpaid	Collections for Previous Year Levies	Cumulative Unpaid
		Amount	Percentage of Levy				
2003	\$ 8,382,023	\$ 8,290,511	98.91%	\$ 91,512	\$ 126,775	\$ 73,503	
2004	8,973,186	8,917,082	99.37%	56,104	122,092	7,515	
2005	9,311,694	9,136,301	98.12%	175,393	104,508	78,400	
2006	10,164,194	9,919,796	97.60%	244,398	123,720	199,078	
2007	16,342,200	15,920,638	97.42%	421,562	175,573	445,067	
2008	17,563,197	16,987,530	96.72%	575,667	289,467	731,267	
2009	17,454,987	16,896,217	96.80%	558,770	460,886	829,151	
2010	16,780,290	14,751,943	87.91%	2,028,347	451,782	2,405,716	
2011	16,816,232	16,448,130	97.81%	368,102	288,571	2,485,247	
2012	16,892,644	16,520,601	97.80%	372,044	205,001	2,652,290	

Notes:

Tax ledgers do not identify the tax year for which delinquent taxes are paid, therefore, this schedule reflects the cumulative unpaid balance 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
2003	20,836	0.03846%	0.32
2004	34,058	0.04952%	0.52
2005	19,355	0.02686%	0.29
2006	3,961	0.00501%	0.06
2007	-	0.00000%	-
2008	-	0.00000%	-
2009	-	0.00000%	-
2010	-	0.00000%	-
2011	-	0.00000%	-
2012	-	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 75 for assessed property value data. This ratio is calculated using assessed property value for the prior calendar year.

^b See schedule on page 80 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, 2012**

2011-2012 Assessed Valuation: \$11,991,924,251

	Total Debt 6/30/12	% Applicable(1)	City's Share of Debt 6/30/12
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 196,545,000	0.665%	\$ 1,307,024
Capistrano Unified School District School Facilities Improvement District No. 1	45,509,930	27.835%	12,667,689
Laguna Beach Unified School District	30,480,000	0.006%	1,829
Saddleback Valley Unified School District	131,925,000	0.072%	94,986
Moulton-Niguel Water District, Improvement District No. 7	10,125,000	87.651%	8,874,664
Moulton-Niguel Water District, Improvement District No. 8	80,000	5.041%	4,033
South Coast Water District	2,965,000	6.824%	202,332
City of Laguna Niguel	-	100.000%	-
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 23,152,557
OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	\$ 233,751,000	3.183%	\$ 7,440,294
Orange County Pension Obligations	214,405,353	3.183%	6,824,522
Orange County Board of Education Certificates of Participation	16,000,000	3.183%	509,280
Capistrano Unified School District Certificates of Participation	22,005,000	18.743%	4,124,397
Moulton-Niguel Water District Certificates of Participation	85,215,000	45.282%	38,587,056
Municipal Water District of Orange County Water Facilities Corporation	12,145,000	3.763%	457,016
Orange County Fire Authority General Fund Obligations	-		-
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$ 57,942,565
Less: MWDOC Water Facilities Corporation (100% self-supporting)			457,016
TOTAL NET OVERLAPPING GENERAL FUND DEBT			\$ 57,485,549
GROSS COMBINED TOTAL DEBT		(2)	\$ 81,095,122
NET COMBINED TOTAL DEBT			\$ 80,638,106

(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 2011-2012 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.00%
Gross Combined Total Debt	0.68%
Net Combined Total Debt	0.67%

State School Building Aid Repayable as of 6/30/12: \$ -

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 2012

Assessed value	\$ 11,991,924
Debt limit (3.75% of assessed value)	449,697
Debt applicable to limit	-
Legal debt margin	\$ 449,697

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$305,331	\$356,084	\$356,096	\$388,304	\$425,493	\$452,843	\$458,468	\$445,486	\$445,972	\$ 449,697
Debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	305,331	356,084	356,096	388,304	425,493	452,843	458,468	445,486	445,972	449,697
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

Fiscal Year	Population	Personal Income (in thousands) ^d	Per Capita Income ^d	Taxable Sales Per Capita ^a	Registered Voters ^c	Housing Units	Median Home Value ^b	Unemployment Rate ^e
2003	65,089	\$ 2,697,409	\$ 41,442	\$ 14,567	37,363	24,553	\$ 414,000	3.70%
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%

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 2002-2007 were calculated from informatin from the OC Assessors office.

Data for years 2008-2010 were obtained from HdL.

Data for year 2012 were obtained from CLR Search.

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

^{d,e} Data for year 2012 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

Employer	2012			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Costco Wholesale Corporation	493	1	1.30%	500	2	3.07%
Wal-Mart Stores, Inc.	300	2	0.79%	280	4	1.72%
Capistrano Unified School District	285	3	0.75%	245	6	1.50%
Mercedes-Benz of Laguna Niguel	208	4	0.55%			
YMCA	190	5	0.50%			
Home Depot USA, Inc.	167	6	0.44%	400	3	2.45%
Albertsons, Inc.	149	7	0.39%	250	5	1.53%
First Team Real Estate, Inc.	140	8	0.37%	140	8	0.86%
Kohl's Department Stores, Inc.	135	9	0.36%			
Interface Associates, Inc.	115	10	0.30%			
County of Orange				1,201	1	7.36%
United States Federal Government				196	7	1.20%
State of California				140	9	0.86%
Miguel's Auto Broker				137	10	0.84%
Total	2,182		5.76%	3,489		21.39%

Note

Employment data is not available for years previous to 2006.

Source: MuniServices, LLC and EDD Labor Force Data for 2012 information/2007 information from previously published CAFR

CITY OF LAGUNA NIGUEL

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	5.0	4.0	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0
City Clerk	2.0	2.0	3.5	3.5	3.5	3.5	2.5	2.5	2.5	2.5
Finance	4.0	3.0	3.5	3.5	3.5	4.5	4.5	4.5	4.5	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	9.8	8.2	8.2	8.2	9.2	10.2	10.2	9.2	9.2	8.2
Building and Safety	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public works										
Administration	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Engineering	5.0	5.0	5.5	6.5	7.5	7.5	7.5	7.5	7.0	7.0
Median Maintenance	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	-
Park Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Slope Maintenance	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-
Parks and Recreation										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	2.5	3.0	3.0	3.0
Recreational Programs	9.0	10.0	10.0	10.0	10.0	12.0	11.0	11.0	14.0	11.0
Aquatics	8.0	8.0	8.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0
Skateboard Park	0.5	5.5	6.0	6.0	6.0	6.0	5.0	5.0	5.0	4.0
Sea Country Senior & Community Center	7.0	8.0	8.0	8.0	8.0	7.0	7.0	8.0	8.0	11.0
Totals	67.3	70.7	72.7	74.7	76.7	81.2	77.7	78.2	80.7	79.2

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Patrol units	24	24	24	24	24	24	24	24	24	24
Patrol motorcycles	2	2	2	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	19	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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police priority one response time (minutes)	5.96	5.43	5.05	4.50	5.12	4.33	4.35	4.65	4.78	4.68
Fire response time (minutes)	6.13	6.13	6.45	6.15	6.15	6.54	6.03	6.67	6.40	6.05
Traffic citations	5,052	5,685	5,663	5,484	5,470	5,286	5,640	*	4,033	4,908
Parking citations	*	*	*	*	2,882	2,056	2,301	2,207	1,574	1,210
Community development										
Permits issued	2,685	2,636	2,494	2,764	2,783	2,837	1,992	1,850	1,988	2,230
Public works										
Streets miles resurfaced	9.1	7.1	11.3	0.8	6.1	22.1	22.0	15.1	8.8	30.4

Notes

*Data not available

Data for Fire response time for 2010 is based on calendar year.

Sources:

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