

CITY OF LAGUNA NIGUEL CALIFORNIA



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

**CITY OF LAGUNA NIGUEL
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2010**

CITY COUNCIL

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

CITY MANAGER

Tim Casey

**Prepared by
Department of Finance
Cheryl Dyas, Director of Finance
Jarod Nozawa, Accounting Officer**

CITY OF LAGUNA NIGUEL
Comprehensive Annual Financial Report
Year Ended June 30, 2010

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**CITY OF LAGUNA NIGUEL
Comprehensive Annual Financial Report
Year Ended June 30, 2010**

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CITY of LAGUNA NIGUEL

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CITY COUNCIL

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

November 19, 2010

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

LETTER OF TRANSMITTAL 2009/2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT

It is a pleasure to submit the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. 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 Vavrinek, Trine, Day & Co., 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, 2010 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. 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 2010, the State of California Department of Finance listed the City's population as 67,666. 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 once again felt the effects of the declining economy during the year with a negative growth in property taxes of 2.84% and an overall decline in sales tax revenue of 13.8% over the previous year. In spite of this, the City completed the 2009-2010 fiscal year in good financial health. Total actual revenues for the fiscal year exceeded final budgeted estimates and total General Fund operating revenues exceeded operating expenditures by \$7.8 million. At June 30, 2010, the City had healthy reserves for economic uncertainty, capital asset replacement and the City Hall project.

Going forward, economic forecast data for Orange County and the State of California predicts that the economy will not improve during the remainder of 2010 and will remain sluggish throughout 2011. The State Legislative Analyst predicts that as the economy recovers in 2010 and 2011, job losses will subside, the State will see low growth in personal income, and housing prices will remain flat in the near term with appreciation pegged at the rate of inflation in 2011 and beyond. The Legislative Analyst also predicts that taxable sales for 2010 will surpass 2009 and continue to increase in 2011. Comparing this prediction to our local experience, the City’s growth in property taxes will be flat in 2010-11 from the previous year. This is actually an improvement from the 2009-10 fiscal year when the City experienced its first year over year decline in property taxes since incorporation of 2.84%. For sales taxes, actual revenue earned from January 2010 through June 2010 is up 2.4% as compared to the same time period in 2009.

In spite of the economic crisis and the City’s expectation that tax revenue will remain flat, the City was able to adopt a budget for 2010-2011 that maintains all existing service levels and programs and provides adequate funding for the continuation of the City’s \$30 million, five-year Street Resurfacing Program and the City Hall project.

State Budget. On October 8, 2010, the Governor signed the 2010-11 budget bill. The budget forecasts a reserve at the end of 2010-11 in the amount of \$1.3 billion. The State budget has little overall effect on the City’s finances, but does include: deferral of monthly Gas Tax allocations beginning in July 2010 through March 2011 with deferred amounts expected to be paid in April 2011; and a swap of Prop 42 revenue (also know as Traffic Congestion Relief) with Gas Tax revenue. This swap is not expected to effect the total allocation received by the City, but allocations of the swapped revenue is also expected to be deferred until April 2011. Total Gas Tax revenue, including the amount of the swap, is estimated at \$1.7 million for 2010-11.

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

Permanent City Hall

On April 6, 2010, the City Council awarded the first 3 contracts for the construction of the new City Hall. The official groundbreaking on the site took place on May 3, 2010 and grading work also began in May 2010. On June 15, 2010 the City Council awarded an additional 23 construction contracts. At June 30, 2010, the City had an accumulated appropriation of \$19.7 million, of which \$14.2 million was committed to approved contracts. In addition to this appropriation, the City Council has designated an additional \$1.8 million of General Fund fund balance for this project. At June 30, 2010, the total project all-in cost estimate (including the 2008 site purchase, architect-engineering fees, construction management and contingency) was \$29.3 million. Construction is expected to be completed in July 2011 with move-in scheduled for August 2011.

Library Expansion

The County of Orange and the City are jointly funding the renovation and expansion of the County-owned Laguna Niguel Branch Library. The County is responsible for the first \$1.5 million of project design and construction costs and the City is responsible for the balance of project costs. At June 30, 2010, the City Council had appropriated \$3.5 million and had designated another \$1.5 million of General Fund fund balance for this project. On August 17, 2010, the City Council approved the low responsible bid in the amount of \$3,159,000 received by the County of Orange for this project. The total project cost estimate (including architect-engineering fees and contingency) is \$4.1 million. Construction of this project began in November 2010 and is expected to be completed by November 2011.

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. The FY 2010-2011 budget includes an appropriation of \$6 million and represents the fourth installment in the five-year program.

Crown Valley Parkway Widening Project

Crown Valley Parkway/I-5 Widening Project will widen eastbound Crown Valley from Cabot Road to the I-5 northbound ramps. The project will add a dedicated right turn lane (beginning at Forbes Road) for the southbound ramp, a dedicated right turn lane for the northbound ramp and four continuous eastbound through lanes from Cabot to match the current four through lanes that begin in Mission Viejo at the northbound ramp. Once completed this project will significantly reduce congestion and will provide additional capacity for the proposed/planned developments in the Gateway area. For the past few years, the City has been working on a design for this project and the final design is nearing completion. The current construction cost estimate for the project

is \$12 million and it is expected to take approximately 24 months to complete. A construction contract is expected to be awarded no later than March 2011. The City has been awarded \$5 million in OCTA funding for the project and is continuing to seek additional funding from federal grants.

Camino Capistrano Street & Landscape Improvement Project

The City has been awarded American Recovery and Reinvestment Act (ARRA) funds in the amount of \$500,000 towards the improvement of Camino Capistrano. Improvements include new curb and gutter, landscaping, irrigation and fencing from Paseo de Colinas to the North boundary. The total project cost is estimated at \$947,000. Construction on this project began in July 2010.

Reserve Policy. A 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. The policy allows for the following: 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; a reserve for capital assets and infrastructure replacement in an amount equal to the remaining General Fund balance after the economic uncertainty allocation and all other City Council designated allocations have been made. The City Council may designate portions of the General Fund unreserved fund balance for future capital projects, continuing or carry-over appropriations, or any other municipal purpose that the City Council deems prudent or necessary. On June 16, 2009, the City Council suspended allocations of General Fund balances to the Reserve for Capital Asset and Infrastructure Replacement for four years and re-directed such allocations to the reserve for the City Hall project. All fund balance designations have been identified in note 8 of the Notes to Basic Financial Statements.

SUMMARY OF CURRENT YEAR ACCOMPLISHMENTS

Administration

During FY 2009-2010, the City Council and City Management:

- Began construction of the new City Hall.
- Conducted the 3rd Biennial Resident Satisfaction Survey.
- 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, 2009.

Public Safety

Laguna Niguel consistently ranks as one of the safest cities in Orange County. In 2001, the Laguna Niguel City Council adopted the "Safe City Plan" to continually monitor local crime trends and guide City law enforcement activities, crime prevention and education programs. Violent crimes are rare and account for a small percentage of total crimes. In 2009, the local crime rate for burglaries and thefts were down 33% and 28% respectively since the inception of

the City's Safe City Plan in 2001. The City's overall crime rate has decreased by 32% over the past six years, with 2009 recorded as one of Laguna Niguel's safest years since incorporation. Major public safety accomplishment during FY 2009-2010 include:

- Conducted our fourteenth Citizen Academy.
- Conducted our second Teen Academy in February 2009.
- Conducted our sixth Disaster Preparedness Academy in April and May 2010.

Community and Economic Development

During FY 2009-2010, 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:

- On-going construction of multiple expansion and remodel projects at the Mercedes-Benz of Laguna Niguel dealership. This includes the new Sprinter Van building, showroom building addition, outdoor display expansion, new wall signs and exterior design changes to both showroom buildings.
- Completion of new wireless telecommunication site for AT&T Wireless at the Stinchfield office building.
- Permit issuance for six (6) separate wireless telecommunication sites for T-Mobile on streetlights within the public right-of-way throughout the City.
- Completion of an extensive landscape renovation project at the Ocean Ranch Village shopping center.
- Opening of new Chick-Fil-A restaurant in the Rancho Niguel shopping center.
- Opening of Arco service station at Camino Capistrano and Avery Parkway intersection.
- Opening of Chevron service station at Camino Capistrano and Avery Parkway intersection.
- Discretionary permit approval and/or opening of several new restaurants throughout the City: Beach Pit BBQ, Chipotle, Thai Bite, Earth Café, Bistro Anju, Fit Meals To Go, Chick Pita, Flame Broiler, Mangia Bene (re-opening) and El Cortez (expansion).
- Discretionary permit approval and/or opening of several new personal service businesses (nail salon, day spa, hair salon, etc.) throughout the City: Pure Indulgence, Apple Nail Salon, Sun Spa, Jenny's Nails and Wake Up Beautiful.
- Discretionary permit approval and/or opening of several new fitness gyms throughout the City: Sculpt Barre, Curves, Martial Art Blackbelt Academy, Cheryl Burke Dance Studio and Precision Fitness.

Public Works and Infrastructure

Major public works projects completed or commenced during FY 2009-2010 included:

- Substantially completed construction on the Avery Parkway/I-5 Widening project.
- Substantially completed the final design for the Crown Valley Widening project.
- Completed the pavement rehabilitation on Aliso Creek Road.

- Resurfaced approximately 15 miles of streets as part of the annual street resurfacing program.

Parks and Recreation

During FY 2009-2010 the City:

- Completed the expansion of the Sea County Senior and Community Center and held a grand opening for the Community in May 2010.
- Conducted a Gala Dinner in December 2009 to mark the beginning of the City's 20th Anniversary year.
- Completed substantial renovation of the Crown Valley Community Park pool, including renovation of the diving platform, installation of new diving boards and re-plastering of the pool shell.
- Coordinated the 9th annual 9/11 Remembrance Event.

FUTURE WORK PROGRAM INITIATIVES

Many of the City's priorities, projects and programs will be continued throughout FY 2010-2011. Work Program highlights include:

- Continue construction of new City Hall.
- Coordinate with County on construction of the Laguna Niguel Library Renovation and Expansion.
- Conduct November 2, 2010 Municipal Election.
- Coordinate preparation and distribution of RFP for audit services and conduct interviews.
- Present Safe City Plan Annual Report.
- Complete adoption of 2010 Building and Fire Codes, including local amendments.
- Complete new Laguna Niguel Gateway Specific Plan.
- Complete update of City General Plan Housing Element.
- Conduct Urban Land Institute Technical Advisory Panel for the Town Center Area.
- Prepare funding application for Measure M2 first call for projects.
- Complete design, award contract and commence construction on Crown Valley Parkway/I-5 Widening project.
- Complete planning and design and commence construction of Salt Creek Trail Enhancement project.
- Evaluate alternatives for operation of new Fitness Room at Sea Country Senior and Community Center.
- Coordinate preliminary planning of Grand Opening Celebration for new City Hall.

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, 2009. This

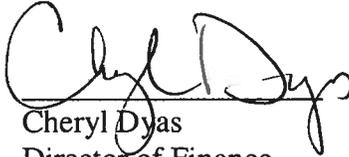
was the tenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. 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



Cheryl Dyas
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, 2009

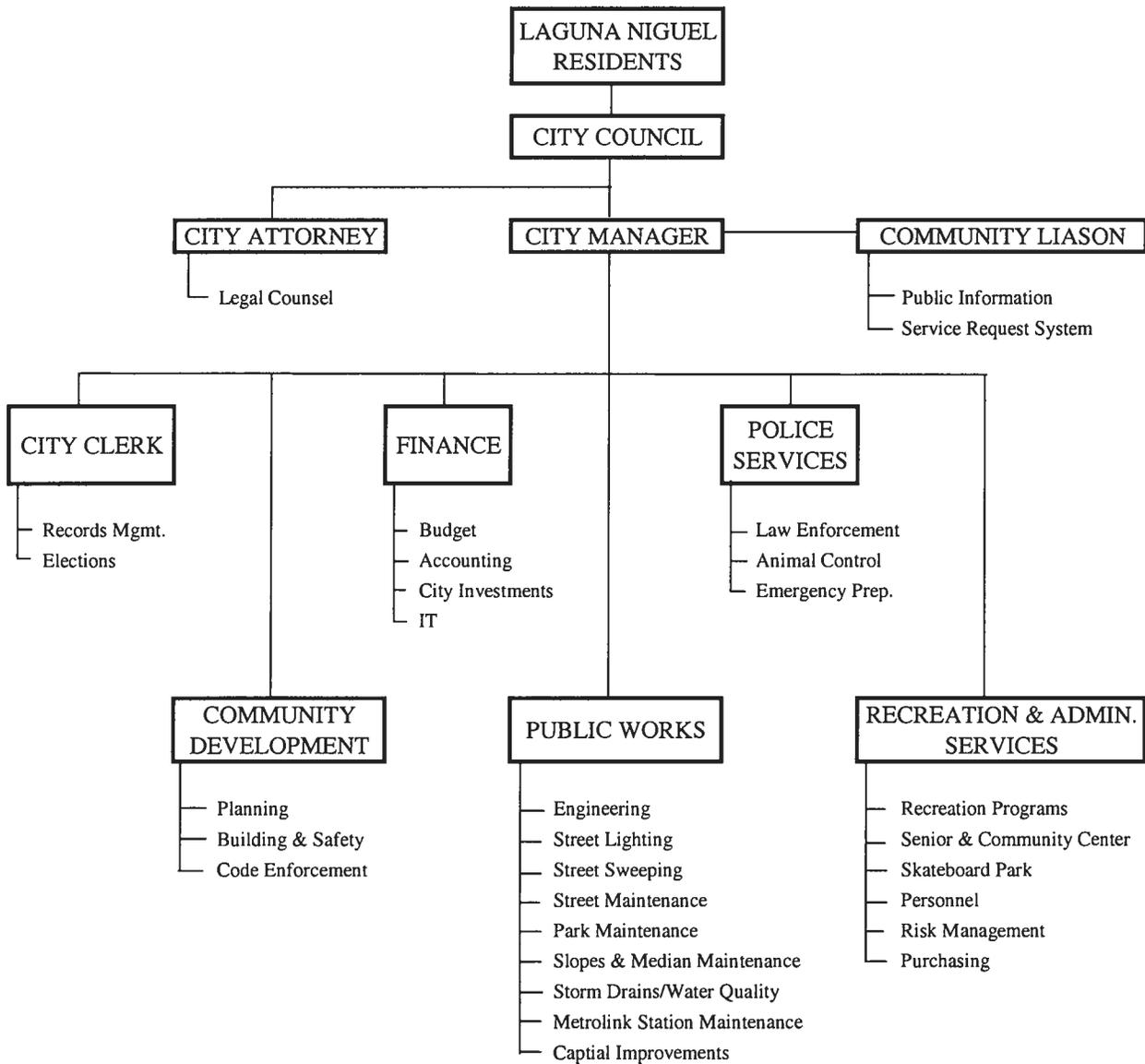
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF LAGUNA NIGUEL
Organizational Chart
June 30, 2010



CITY OF LAGUNA NIGUEL
Elected Officials and Management Staff
As of June 30, 2010

CITY COUNCIL

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

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	Cheryl Dyas
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 Liason	Solveig Darner
Deputy Director of Recreation	John Banks
Planning Manager	Jeff Gibson



INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
Of the 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 (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information was derived from the City's 2009 financial statements and, in our report dated October 30, 2009, we expressed unqualified opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laguna Niguel, California as of June 30, 2010, 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.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2009, from which such summarized information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of the City of Laguna Niguel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13, and pages 45 through 47, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the statistical section, and combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of the accompanying comprehensive annual financial report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vannich, Train, Day & Co., LLP

Laguna Hills, California
November 19, 2010

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, 2010. 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 provide a longer-term view of the City's activities as a whole. They include the Statement of Net Assets and the Statement of Activities.

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.

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.

Both of the government-wide financial statements report all functions of the City under *governmental activities*. Governmental activities are principally supported by taxes and intergovernmental revenues, as opposed to *business-type activities*, whose purpose is to recover all or a significant portion of costs through user fees and charges. 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 on pages 15-16 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, use 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.

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 financing 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fund financial statements provide detailed information about each of the City's most significant funds, called "major funds". Each major fund is presented individually with all non-major funds combined in a single column on each fund statement. Supplementary schedules present the detail of these non-major funds. The General Fund is always a major fund, but other funds may change from year to year as a result of changes in the pattern of City activities. The City maintained eleven individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Miscellaneous Grants Special Revenue Fund and the City Capital Projects Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation.

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

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. The proprietary fund statements provide the same type of information as the government-wide financial statements.

The Fund financial statements can be found on pages 17-21 of this report.

Notes to basic financial statements 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 basic financial statements can be found on pages 23-43 of this report.

Required supplementary information includes other budgetary information on the General Fund and Miscellaneous Grants Fund, as well as the budget process. Required supplementary information can be found on pages 45-47 of this report.

Supplementary schedules provide detail about our non-major governmental funds, which are added together and presented in single columns in the fund financial statements. Supplementary schedules can be found on pages 49-63 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

	Fund Statements		
	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government	The activities of the City that are not proprietary	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

Government-Wide

- The assets of the City exceeded its liabilities at June 30, 2010 by \$615.0 million. The amount is referred to as net assets of the City. Of this amount, \$85.3 is unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$4.0 million during the past year; that is, total revenues exceeded total expenses by \$4.0 million. This compares to the prior year increase of \$11.3 million. FY 2009-10 program revenue and general revenue decreased by \$3.3 million and \$4.0 million respectively from FY 2008-09 levels.

- At the close of the 2009-10 fiscal year, the City’s governmental funds reported combined ending fund balances of \$84.1 million. Governmental fund revenues and other financing sources/uses exceeded expenditures by \$1.5 million in FY 2009-10. Of the \$84.1 million combined ending fund balances at June 30, 2010, \$68.5 is available for spending at the government’s discretion (categorized as “unreserved” fund balance).
- As of June 30, 2010, the unreserved fund balance of the General Fund, the City’s chief operating fund, was \$62.1 million. This compares to an unreserved fund balance of \$76.0 million at June 30, 2009. This decrease is attributable to the commitments made in the way of contracts signed for the construction of the new City Hall.
- Of the \$62.1 million unreserved fund balance in the General Fund at June 30, 2010, \$13.1 million is designated by the City Council for economic uncertainty and another \$26.4 million has been designated for the replacement of capital assets.

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 \$615.0 million at June 30, 2010.

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

Governmental Activities			
<i>Net Assets at June 30</i>			
<i>(in millions)</i>			
	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease) from 2009</u>
Cash and investments	\$ 88.4	87.4	1.0
Other assets	5.5	8.3	(2.8)
Capital assets	<u>528.9</u>	<u>523.6</u>	<u>5.3</u>
Total assets	<u>622.8</u>	<u>619.3</u>	<u>3.5</u>
Long-term debt outstanding	.7	.7	-
Other liabilities	<u>7.1</u>	<u>7.6</u>	<u>(.5)</u>
Total liabilities	<u>7.8</u>	<u>8.3</u>	<u>(0.5)</u>
Net assets:			
Invested in capital assets, net of debt	528.9	523.6	5.3
Restricted	.8	1.1	(.3)
Unrestricted	<u>85.3</u>	<u>86.3</u>	<u>(1.0)</u>
Total net assets	<u>\$615.0</u>	<u>611.0</u>	<u>4.0</u>

The City’s net assets increased \$4.0 million, or .6%, during the fiscal year 2009-10. Assets increased \$3.5 million and liabilities decreased \$.5 million compared to June 30, 2009. The

increase in net assets is primarily attributed to the net increase in capital assets of \$5.3 million. Significant additions to capital assets in FY 2009-10 included construction costs for the Senior Center Expansion and the new City Hall, as well as infrastructure additions for the Golden Lantern and Avery Widening projects. See the Capital Asset Section of MD&A for additional information on capital project asset additions.

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

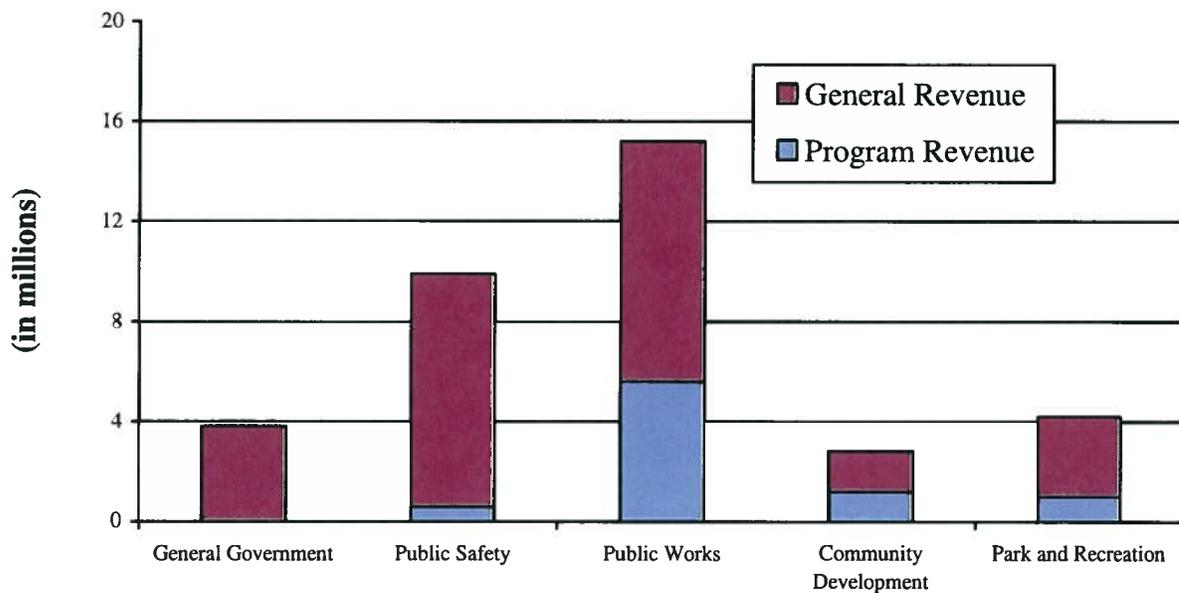
Governmental Activities			
<i>Changes in Net Assets for the Year Ended June 30</i>			
<i>(in millions)</i>			
	<u>2010</u>	<u>2009</u>	Increase/ (Decrease) from 2009
Revenues:			
Program revenues:			
Charges for services	\$ 2.7	2.6	.1
Operating contributions and grants	2.8	3.2	(.4)
Capital contributions and grants	<u>2.8</u>	<u>5.8</u>	<u>(3.0)</u>
Total program revenues	<u>8.3</u>	<u>11.6</u>	<u>(3.3)</u>
General revenues:			
Property taxes	16.9	17.4	(.5)
Sales taxes	9.4	10.3	(.9)
Other taxes	2.9	2.9	-
Investment earnings	2.0	4.4	(2.4)
Other revenues	<u>.3</u>	<u>.5</u>	<u>(.2)</u>
Total general revenues	<u>31.5</u>	<u>35.5</u>	<u>(4.0)</u>
Total revenues	<u>39.8</u>	<u>47.1</u>	<u>(7.3)</u>
Program expenses:			
General government	3.8	3.7	.1
Public safety	9.9	9.7	.2
Public works	15.1	16.4	(1.3)
Community development	2.8	2.8	-
Parks and recreation	<u>4.2</u>	<u>3.2</u>	<u>1.0</u>
Total expenses	<u>35.8</u>	<u>35.8</u>	<u>.0</u>
Increase in net assets	4.0	11.3	
Beginning net assets	<u>611.0</u>	<u>599.7</u>	
Ending net assets	<u>\$615.0</u>	<u>611.0</u>	

The City's total revenues were \$39.8 million in FY 2009-10, while the total cost of all programs was \$35.8 million. Revenues decreased by \$7.3 million, or 15.5%, over prior year levels and expenses remained unchanged. FY 2009-10 program revenue decreased \$3.3 million from the prior year. In FY 2008-09, the City received a one-time grant in the amount of \$3.8 million for the Golden Lantern Widening project. FY 2009-10 general revenue also decreased from the prior year by \$4.0 million. Of this amount \$2.4 million was caused by the

decline in investment yields due to the economy. In addition, there was a decline in property tax revenue of 2.84% and sales tax revenue decreased 8.7% from the previous year.

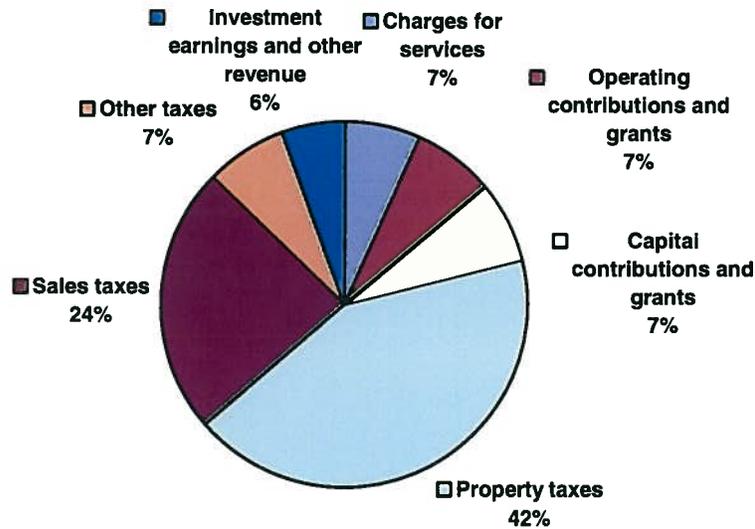
The cost of all *governmental activities* this year was \$35.8 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was \$27.5 million because some of the cost was paid by those who directly benefited from the programs (\$2.7 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$5.6 million). The following chart graphically depicts the amount of general revenue used in relation to program revenue in funding governmental activities.

Funding of Governmental Activities



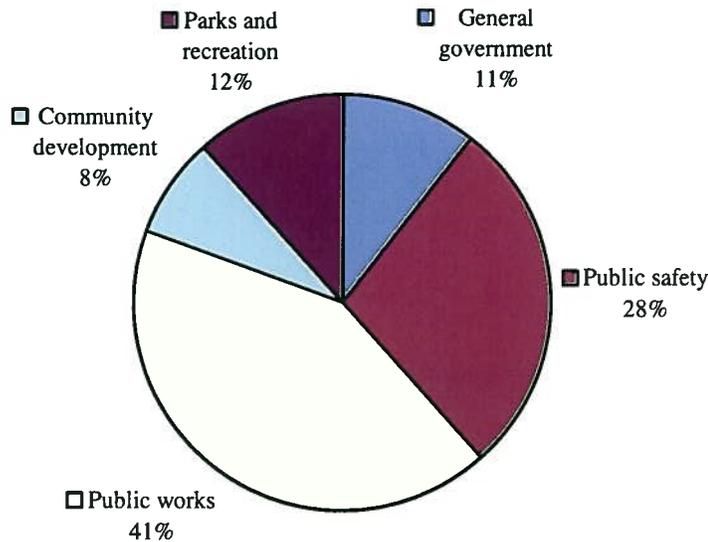
Approximately 73% of all revenues this past year came from some form of tax. The figure is up from 65% in FY 2008-09. Property tax revenue, the City's largest revenue source, accounted for 42% of total City revenue, compared to 37% last year. Sales tax revenue, including the ¼ cent of sales tax diverted by the State and paid to cities as additional property tax revenue, was the second largest revenue source at 24% to total revenues, up from 22% last year. The following chart graphically depicts the City's governmental revenue sources.

Governmental Activities - Revenues by Source



The public works function represents the largest activity in the City at 41%. This is a decrease from 46% in the previous 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 is the City’s second largest function at 28%. The cost of police services with the Orange County Sheriff was approximately \$9.0 million in FY 2009-10. The following chart graphically depicts the City’s governmental expense by function.

Governmental Activities - 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. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available 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 combined ending fund balance of \$84.1 million, an increase of \$1.5 million or 1.8% in comparison with the prior year. Approximately 81% of total fund balance, or \$68.5 million comprises *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has either already been committed or is not yet available to spend. Of the \$15.6 million reserved fund balance, almost the entire balance is reserved for encumbrances, to liquidate contracts and purchase orders issued in the prior period.

General Fund – This fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$62.1 million, while total fund balance was \$77.2 million. The fund balance of the City's General Fund decreased by \$1.5 million or 1.9% during the current fiscal year. Key factors in the current year decline in the fund balance are as follows:

- During the year, the City Council appropriated \$.4 million from General Fund reserves to renovate the pool at Crown Valley Community Park.
- Resources accumulated in the previous fiscal year and carried forward were expended in FY 2009-10. The more significant projects utilizing these resources pertained to the completion of the Senior Center Expansion (\$.4 million), and the Avery Parkway Widening Project (\$1.2 million).

Miscellaneous Grants Special Revenue Fund - This fund accounts for the receipts and expenditures for various City projects fully or partially funded by outside grants. Funding sources include the State of California, Orange County Transportation Authority (OCTA) and the Department of Energy. Revenue accounted for in this fund during the current fiscal year were partial reimbursements from OCTA for the Golden Lantern Widening project and the Avery Parkway Widening project in the amount of \$4.1 million, reimbursement from the State Department of Transportation for the Aliso Creek Pavement Rehabilitation project in the amount of \$.5 million, and receipt of Prop 42 revenue from the State in the amount of \$.6 million. Project costs reported in this fund were expenditures related to: the Avery Parkway Widening project in the amount of \$1.0 million; Aliso Creek Pavement Rehabilitation project in the amount of \$0.6 million; and Annual Street Resurfacing project in the amount of \$.6 million. Costs for these projects were reported in the City Capital Projects Fund and the grant portion of these costs are reflected as transfers out of this fund. Some of the revenue from these grants have not been reported during the current fiscal year since it was not considered measurable and available in accordance with generally accepted accounting principles. Therefore, this fund reflects a deficit fund balance of \$1.3 million at June 30, 2010.

City Capital Projects Fund - This fund accounts for all expenditures relating to City capital projects. Governmental revenue and transfers in, generally equal actual expenditures of capital projects; therefore, this fund usually reflects no fund balance at the end of the year. Total expenditures in this fund were \$13.4 million for the current fiscal year. This was a decrease of approximately \$12.2 million from the previous fiscal year. Many of the capital projects budgeted in the 2009-2010 and previous fiscal years have been carried forward to 2010-2011. In total, the City has accumulated unencumbered balances for capital projects in the amount of \$19.0 million through June 30, 2010. This balance was re-appropriated by the City Council on July 6, 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted general fund operating budget was \$28.2 million. The original budget was then modified by \$2.1 million, to include carry-over encumbrances and the re-appropriation of previous year appropriations, for a total beginning operating budget of \$30.3 million. During the course of the fiscal year, total General Fund appropriations were reduced by \$.8 million for a final amended budget of \$29.5 million. The most significant budget amendment was the elimination of a \$1.0 Contingency appropriation in the General Government function.

The original adopted general fund capital budget was \$3.6 million. The original budget was then modified by \$19.3 million, to include carry-over encumbrances and the re-appropriation of previous year appropriations for a total beginning, capital budget of \$22.9 million. The final amended budget totaled \$41.1 million, a net increase of \$18.2 million in mid-year budget adjustments. Of this amount, the City Council appropriated \$17.8 million from General Fund reserves for the City Hall project.

Actual operating expenditures for the year were \$3.0 million less than the appropriations 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, 2010. Appropriations for these uncompleted programs and projects were re-appropriated by the City Council on July 6, 2010 in the amount of \$1.9 million. Some of the more significant projects include the implementation of a citywide document imaging system (accumulated appropriation of \$.3 million), various IT related projects (accumulated appropriation of \$.1 million), and the purchase of furniture, equipment and other capital assets for the furnishing of the newly expanded Senior and Community Center (accumulated appropriation of \$.3 million).

Actual capital expenditures for the year were \$31.7 million less than the appropriations budget. The entire balance of this amount was re-appropriated by the City Council on July 6, 2010. Of this amount, \$19.7 is designated or reserved to the City Hall project, \$3.5 is designated for the Laguna Niguel Library Expansion project, \$4.7 is designated for the Annual Street Resurfacing Project and \$1.8 is designated for the Laguna Niguel Gateway project.

CAPITAL ASSETS

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

Capital Assets at June 30			
<i>(net of depreciation)</i>			
<i>(in millions)</i>			
	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease) from 2009</u>
Land	\$271.1	271.1	-
Buildings and building improvements	19.3	11.2	8.1
Park improvements	10.8	11.3	(.5)
Swimming pool	.7	.3	.4
Furniture and equipment	.3	.3	-
Vehicles	.4	.4	-
Infrastructure	212.6	212.6	-
Construction in progress	<u>13.7</u>	<u>16.4</u>	<u>(2.7)</u>
Total	<u>\$528.9</u>	<u>523.6</u>	<u>5.3</u>

The City's investment in capital assets, net of accumulated depreciation, increased \$5.3 million or 0.1%, during FY 2009-10. Significant additions to capital assets included:

- Additional expenditures were incurred in the amount of \$.5 toward the completion of the Senior Center Expansion project. The Notice of Completion on this project was filed in November 2009.
- A renovation of the Crown Valley Community Park pool in the amount of \$.4 million.
- Additions to infrastructure during 2009-10 were \$3.6 million. Infrastructure projects included the Aliso Creek Pavement Rehabilitation Project in the amount of \$.6 million; and Annual Street Resurfacing Program costs in the amount of \$2.8 million.
- Increases in the construction in progress category included \$4.0 million for the construction of the new City Hall; and \$1.3 for the Avery Parkway Widening project.

The City depreciates all its capital assets over their estimated useful lives. The addition of capital assets was offset with a total annual depreciation for the current fiscal year in the amount of \$5.2 million.

Additional information on the City's capital assets can be found in note 4 in the Notes to Basic Financial Statements.

DEBT ADMINISTRATION

As of June 30, 2010, the City had no outstanding debt.

NEXT YEAR'S BUDGET

The 2010-2011 General Fund budget is \$33.4 million, which is a 0.5% increase from the 2009-2010 budget. The budget is balanced and also provides an operating transfer of \$5.4 million to the 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, contact the Director of Finance's Office, City of Laguna Niguel, 27801 La Paz Road, Laguna Niguel, California 92677.

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CITY OF LAGUNA NIGUEL
Statement of Net Assets
June 30, 2010

(with comparative data for prior year)

	Governmental Activities	
	2010	2009
ASSETS		
Cash and investments (note 3)	\$ 88,400,916	87,416,058
Receivables:		
Taxes	1,293,605	1,815,784
Accounts	528,500	446,546
Permits	23,225	34,613
Interest	566,273	693,318
Prepaid items	1,246	-
Due from other governments	3,062,936	5,284,777
Deposits	15,677	15,677
Capital assets, not depreciated (note 4)	284,756,699	287,436,964
Capital assets, net of accumulated depreciation (note 4)	244,206,888	236,180,444
Total assets	622,855,965	619,324,181
LIABILITIES		
Accounts payable	5,205,547	5,647,255
Accrued salaries	195,840	182,503
Due to other governments	176,139	261,194
Retentions payable	420,345	441,616
Deposits payable	1,105,805	1,006,190
Long-term liabilities (note 6)		
Due within one year	38,797	97,571
Due in more than one year	721,422	693,068
Total liabilities	7,863,895	8,329,397
NET ASSETS (note 8)		
Invested in capital assets	528,963,587	523,617,408
Restricted for:		
Public safety	266,768	242,315
Public works	374,801	832,601
Community development	16,319	13,201
Parks and recreation	50,574	50,351
Unrestricted	85,320,021	86,238,908
Total net assets	\$ 614,992,070	610,994,784

See accompanying notes to basic financial statements.

CITY OF LAGUNA NIGUEL

Statement of Activities

Year Ended June 30, 2010

(with comparative data for prior year)

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Governmental Activities</u>	
					<u>2010</u>	<u>2009</u>
Governmental activities:						
General government	\$ 3,764,859	4,692	-	-	(3,760,167)	(3,686,513)
Public safety	9,918,884	439,378	153,557	-	(9,325,949)	(9,192,740)
Public works	15,142,252	251,728	2,528,038	2,789,723	(9,572,763)	(7,890,108)
Community development	2,810,506	1,037,657	167,757	-	(1,605,092)	(1,252,590)
Parks and recreation	<u>4,181,757</u>	<u>959,966</u>	<u>3,920</u>	<u>-</u>	<u>(3,217,871)</u>	<u>(2,170,994)</u>
Total governmental activities	<u>\$35,818,258</u>	<u>2,693,421</u>	<u>2,853,272</u>	<u>2,789,723</u>	<u>(27,481,842)</u>	<u>(24,192,945)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					16,917,258	17,453,828
Sales taxes					9,406,994	10,279,476
Motor vehicle license fee, unrestricted					197,444	227,505
Franchise taxes					2,314,813	2,350,145
Other taxes					402,131	306,998
Investment income					1,976,063	4,391,413
Other					<u>264,425</u>	<u>468,380</u>
Total general revenues					<u>31,479,128</u>	<u>35,477,745</u>
Change in net assets					3,997,286	11,284,800
Net assets at beginning of year					<u>610,994,784</u>	<u>599,709,984</u>
Net assets at end of year					<u>\$614,992,070</u>	<u>610,994,784</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA NIGUEL
Governmental Funds
Balance Sheet
June 30, 2010

(with comparative data for prior year)

Assets	General	Special Revenue Miscellaneous Grants	City Capital Projects	Nonmajor Governmental Funds	Totals	
					2010	2009
Cash and investments (note 3)	\$ 76,012,602	\$ -	3,514,793	8,171,218	87,698,613	86,848,135
Receivables:						
Taxes	1,293,605	-	-	-	1,293,605	1,815,784
Accounts	526,131	-	2,369	-	528,500	446,546
Permits	23,225	-	-	-	23,225	34,613
Interest	566,273	-	-	-	566,273	693,318
Due from other funds (note 5)	2,402,611	-	-	-	2,402,611	4,654,748
Due from other governments	1,141,354	1,620,384	-	301,198	3,062,936	5,284,777
Prepaid items	1,246	-	-	-	1,246	-
Deposits	15,677	-	-	-	15,677	15,677
Total assets	\$ 81,982,724	\$ 1,620,384	3,517,162	8,472,416	95,592,686	99,793,598
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 2,253,290	\$ 6,936	2,919,399	25,922	5,205,547	5,647,255
Accrued salaries	195,840	-	-	-	195,840	182,503
Retentions payable	-	-	420,345	-	420,345	441,616
Due to other funds (note 5)	-	2,167,129	-	235,482	2,402,611	4,654,748
Due to other governments	176,139	-	-	-	176,139	261,194
Deferred revenue	1,043,991	753,892	177,418	-	1,975,301	4,966,068
Deposits payable	1,105,805	-	-	-	1,105,805	1,006,190
Total liabilities	4,775,065	2,927,957	3,517,162	261,404	11,481,588	17,159,574
Fund balances (note 8):						
Reserved for:						
Encumbrances	15,104,681	528,985	-	-	15,633,666	3,978,757
Prepaid items	1,246	-	-	-	1,246	-
Deposits	15,677	-	-	-	15,677	15,677
Unreserved:						
Reported in special revenue funds	-	-	-	8,211,012	8,211,012	8,070,446
Designated	62,086,055	-	-	-	62,086,055	75,905,913
Undesignated	-	(1,836,558)	-	-	(1,836,558)	(5,336,769)
Total fund balances (deficit)	77,207,659	(1,307,573)	-	8,211,012	84,111,098	82,634,024
Total liabilities and fund balances	\$ 81,982,724	\$ 1,620,384	3,517,162	8,472,416		
Amounts reported for governmental activities in the statement of net assets are different because (note 2):						
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.					528,544,517	523,246,426
An internal service fund is used by management for the financing of replacement vehicles to the City's fleet. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.					1,121,373	938,905
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.					(760,219)	(790,639)
Liabilities for earned but unavailable revenue is reported as deferred revenue in the governmental funds.					1,975,301	4,966,068
Net assets of governmental activities					\$ 614,992,070	610,994,784

See accompanying notes to basic financial statements.

CITY OF LAGUNA NIGUEL
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010
(with comparative data for prior year)

	General	Special Revenue	City	Nonmajor	Totals	
		Miscellaneous	Capital	Governmental	2010	2009
		Grants	Projects	Funds		
Revenues						
Taxes	\$ 26,475,488	-	-	-	26,475,488	28,379,587
Intergovernmental	309,781	5,306,879	-	3,086,355	8,703,015	5,090,654
Charges for services	2,186,186	-	-	-	2,186,186	2,134,061
Franchise fees	2,314,813	-	-	-	2,314,813	2,350,145
Fines and forfeitures	392,873	-	-	-	392,873	344,817
Investment income	1,869,706	985	-	198,104	2,068,795	4,456,255
Developer fees	-	-	-	-	-	184,779
Miscellaneous	504,205	-	-	-	504,205	413,575
Total revenues	34,053,052	5,307,864	-	3,284,459	42,645,375	43,353,873
Expenditures						
Current:						
General government	3,733,894	-	-	-	3,733,894	3,654,397
Public safety	9,796,846	-	-	105,996	9,902,842	9,593,225
Public works	6,723,602	-	-	1,117,974	7,841,576	8,072,689
Community development	2,640,643	38,539	-	110,175	2,789,357	2,786,817
Parks and recreation	3,348,365	-	-	-	3,348,365	2,766,397
Capital outlay	-	-	13,414,439	-	13,414,439	25,615,161
Total expenditures	26,243,350	38,539	13,414,439	1,334,145	41,030,473	52,488,686
Excess (deficiency) of revenues over (under) expenditures	7,809,702	5,269,325	(13,414,439)	1,950,314	1,614,902	(9,134,813)
Other financing sources (uses):						
Transfers in (note 5)	54,907	-	13,414,439	-	13,469,346	25,437,407
Transfers out (note 5)	(9,388,142)	(2,270,382)	-	(1,948,650)	(13,607,174)	(25,437,407)
Total other financing sources (uses)	(9,333,235)	(2,270,382)	13,414,439	(1,948,650)	(137,828)	-
Net change in fund balances	(1,523,533)	2,998,943	-	1,664	1,477,074	(9,134,813)
Fund balances (deficit) at beginning of year	78,731,192	(4,306,516)	-	8,209,348	82,634,024	91,768,837
Fund balances (deficit) at end of year	\$ 77,207,659	(1,307,573)	-	8,211,012	84,111,098	82,634,024
Net change in fund balances					\$ 1,477,074	(9,134,813)
Amounts reported for governmental activities in the statement of activities are different because (note 2):						
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.					5,298,091	16,846,667
Net activity for internal service fund					182,468	13,498
Revenue not available and not reported in the fund statements					250,895	(339,285)
Net change in compensated absences					30,420	(41,272)
Unavailable deferred revenue earned in the (previous)/current year.					(3,241,662)	3,940,005
Net change in net assets					\$ 3,997,286	11,284,800

See accompanying notes to basic financial statements.

CITY OF LAGUNA NIGUEL
 Proprietary Fund
 Statement of Net Assets
 June 30, 2010

(with comparative data for prior year)

	Governmental Activities- Internal Service Vehicle Replacement Fund	
	<u>2010</u>	<u>2009</u>
Assets		
Current assets:		
Cash and investments (note 3)	\$ 702,303	567,923
Noncurrent assets:		
Vehicles, net of accumulated depreciation (note 4)	419,070	370,982
Total assets	1,121,373	938,905
Liabilities		
	-	-
Net Assets		
Invested in capital assets	419,070	370,982
Unrestricted	702,303	567,923
Total net assets	\$1,121,373	938,905

See accompanying notes to basic financial statements.

CITY OF LAGUNA NIGUEL
Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010

(with comparative data for prior year)

	Governmental Activities- Internal Service Vehicle Replacement Fund	
	<u>2010</u>	<u>2009</u>
Operating revenue:		
Charges for services	\$ 113,982	92,353
Miscellaneous revenue	<u>10,774</u>	<u>-</u>
Total operating revenues	<u>124,756</u>	<u>92,353</u>
Operating expenses:		
Depreciation	<u>116,296</u>	<u>106,132</u>
Total operating expenses	<u>116,296</u>	<u>106,132</u>
Operating income (loss)	<u>8,460</u>	<u>(13,779)</u>
Nonoperating revenues (expenses):		
Investment income	18,180	27,277
Vehicle sales	<u>18,000</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>36,180</u>	<u>27,277</u>
Income before transfers	44,640	13,498
Transfers in (note 5)	<u>137,828</u>	<u>-</u>
Change in net assets	182,468	13,498
Net assets, beginning of year	<u>938,905</u>	<u>925,407</u>
Net assets, end of year	<u>\$1,121,373</u>	<u>938,905</u>

See accompanying notes to basic financial statements.

CITY OF LAGUNA NIGUEL
Proprietary Fund
Statement of Cash Flows
Year Ended June 30, 2010

(with comparative data for prior year)

	Governmental Activities- Internal Service Vehicle Replacement Fund	
	<u>2010</u>	<u>2009</u>
Net cash flows from operating activities:		
Cash received from users	\$ 113,982	\$ 92,353
Cash received from insurance proceeds	<u>10,774</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>124,756</u>	<u>92,353</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	<u>137,828</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>137,828</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Cash received from sale of capital assets	18,000	-
Purchase of capital assets	<u>(164,384)</u>	<u>(52,823)</u>
Net cash provided by (used for) capital and related financing activities	<u>(146,384)</u>	<u>(52,823)</u>
Cash flows from investing activities:		
Interest received	<u>18,180</u>	<u>27,277</u>
Net cash provided by (used for) investing activities	<u>18,180</u>	<u>27,277</u>
Net increase (decrease) in cash and cash equivalents	134,380	66,807
Cash and cash equivalents at beginning of year	<u>567,923</u>	<u>501,116</u>
Cash and cash equivalents at end of year	<u>\$ 702,303</u>	<u>\$ 567,923</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 8,460	\$ (13,779)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	<u>116,296</u>	<u>106,132</u>
Total adjustments	<u>116,296</u>	<u>106,132</u>
Net cash provided by (used for) operating activities	<u>\$ 124,756</u>	<u>92,353</u>

Noncash investing, capital and financing activities:

There were no noncash investing, capital or financing activities during the year ended June 30, 2010.

See accompanying notes to basic financial statements.

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CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States. The accompanying financial statements are presented on the basis set forth in GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Description of 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, 2010. 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.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information about the primary government (the City). Eliminations have been made in the Statement of Activities so that internal payments to the City Vehicle Replacement Fund are correctly stated as capital assets.

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.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont.

The Statement of Activities presents 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.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds and are presented after the Government-wide financial statements. The emphasis of Fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenue of an internal service fund are charges to customers. Operating expenses include depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Financial Statement Presentation

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

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

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Miscellaneous Grants Special Revenue Fund is used to account 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 Department of Energy.

The City Capital Projects Fund is used to account for the expenditures relating to the City's individual capital projects.

Additionally, the City reports an internal service proprietary fund type to account for the accumulation of resources for the financing of vehicles for City operations.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont.

Basis of Accounting and Measurement Focus

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

Government-wide and Proprietary fund financial statements are reported using the *economic resources* measurement focus and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded when a liability is *incurred*, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Property taxes, sales tax, transient occupancy tax, franchise fees, motor vehicle in lieu fees, and investment income are the primary revenue sources susceptible to accrual under the measurable and available criteria, and so have been recognized as revenues of the current fiscal period to the extent that such revenue is available. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont.

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.

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, skatepark bowl, furniture and equipment, vehicles, construction in progress and infrastructure assets (street systems, storm drains, bridges, etc.), are reported in the governmental activities column of the Government-wide financial statements.

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

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

<u>Asset</u>	<u>Years</u>
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

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont.

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 covers 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.

Compensated Absences

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

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

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

Fund Equity

In the Fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those 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 those estimates.

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.

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

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The Governmental Fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the Government-Wide Statement of Net Assets. The reconciliation is as follows:

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the cost 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	\$636,384,344
Accumulated depreciation	<u>(107,839,827)</u>
	<u>\$528,544,517</u>

Internal Service Fund

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

Cash and investments	\$702,303
Capital assets, net	<u>419,070</u>
	<u>\$1,121,373</u>

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, Cont.

Long-term Liability Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets. Balances at June 30, 2009 were:

Compensated absences	\$(760,219)
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Deferred Revenue

Liabilities for earned but unavailable revenue is reported as deferred revenue in the governmental funds and is recognized as revenue in the Statement of Activities.

Grant revenue	\$1,378,944
Triple Flip	<u>596,357</u>
	<u>\$1,975,301</u>

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

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the Government-Wide Statement of Activities. The reconciliation is as follows:

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.

Capital asset purchases	\$ 10,434,063
Capital asset deletions, net	(4,149)
Depreciation expense	<u>(5,131,823)</u>
	<u>\$5,298,091</u>

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, Cont.

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 included in the Government-Wide Statement of Activities.

Charges for services	\$113,982
Investment income	18,180
Miscellaneous income	28,774
Depreciation	(116,296)
Transfers in	<u>137,828</u>
	<u>182,468</u>

Long-term Liability Transactions

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

Net change in compensated absences	\$(<u>30,420</u>)
------------------------------------	---------------------

Deferred (Unavailable) Revenue

The City earns revenue from sales tax and grants that are not considered available under the measurement focus established by the City. 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.

Triple Flip revenue	\$ 250,895
Grant revenue	(<u>3,241,662</u>)
	\$(<u>2,990,767</u>)

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 2,650
Demand deposits	159,662
Certificates of deposits	1,059,337
U.S. Treasury money market fund	960
U.S. Treasury Notes	9,413,550
U.S. Agency Securities	47,297,160
Local Agency Investment Fund (CAMP)	1,021,142
Local Agency Investment Fund (LAIF)	<u>29,446,455</u>
Total	<u>\$88,400,916</u>

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS, Cont.

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*.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer (at cost)</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	60%	25%
Local Agency Investment Fund (CAMP)	N/A	15%	\$10M
Local Agency Investment Fund (LAIF)	N/A	35%	\$30M
Insured Certificates of Deposit	5 years	30%	\$250,000
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:

<u>Investment Type</u>	<u>Total Investment</u>	<u>Remaining Maturity (in months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
U.S. Treasury Notes	\$ 9,413,550	2,027,540	5,280,070	2,105,940
U.S. Agency Securities	47,297,160	18,242,450	7,471,870	21,582,840
U.S. Treasury money Market fund	960	960	-	-
Certificates of Deposit	1,059,337	1,059,337	-	-
CAMP	1,021,142	1,021,142	-	-
LAIF	<u>29,446,455</u>	<u>29,446,455</u>	<u>-</u>	<u>-</u>
Totals	<u>\$88,238,604</u>	<u>51,797,884</u>	<u>12,751,940</u>	<u>23,688,780</u>

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS, Cont.

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:

<u>Investment Type</u>	<u>Total Investment</u>	<u>Minimum</u>		<u>Rating as of Year End</u>	
		<u>Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>AAA</u>	<u>Unrated</u>
U.S. Treasury Notes	\$ 9,413,550	n/a	9,413,550	-	-
U.S. Agency Securities	47,297,160	n/a	-	47,297,160	-
U.S. Treasury money					
Market fund	960	n/a	-	960	-
CAMP	1,021,142	n/a	-	1,021,142	-
LAIF	<u>29,446,455</u>	n/a	-	-	<u>29,446,455</u>
Totals	<u>\$87,179,267</u>		<u>9,413,550</u>	<u>48,319,262</u>	<u>29,446,455</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 for U.S. Agency Securities to a maximum of 25% of total investments. The City was in compliance with this limitation at June 30, 2010 and throughout the fiscal year. Investments in any one issuer that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Agency securities	\$16,966,890
Federal National Mortgage Assoc.	U.S. Agency securities	14,852,110
Federal Home Loan Mortgage Corp.	U.S. Agency securities	13,331,910
LAIF	Investment pool	29,446,455

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 the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS, Cont.

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.

As of June 30, 2010, the City had no uninsured deposits, collateralized with securities held by the City's pledging financial institution, but not in the City's name. In addition, the City had no investments held by the safekeeping department of the City's counterparty.

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). CAMP 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 which 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.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$271,068,667	-	-	271,068,667
Construction in progress	<u>16,368,297</u>	<u>5,579,721</u>	<u>(8,259,986)</u>	<u>13,688,032</u>
Total capital assets not being depreciated	<u>287,436,964</u>	<u>5,579,721</u>	<u>(8,259,986)</u>	<u>284,756,699</u>
Capital assets, being depreciated:				
Buildings and improvements	15,436,110	8,459,911	-	23,896,021
Park improvements	24,080,554	278,190	-	24,358,744
Swimming pool	1,688,849	405,631	-	2,094,480
Furniture and equipment	1,109,014	164,035	(4,149)	1,268,900
Vehicles	914,879	164,384	(66,878)	1,012,385
Infrastructure	<u>296,202,939</u>	<u>3,806,561</u>	<u>-</u>	<u>300,009,500</u>
Total capital assets being depreciated	<u>\$339,432,345</u>	<u>13,278,712</u>	<u>(71,027)</u>	<u>352,640,030</u>
Less accumulated depreciation for:				
Buildings and improvements	\$(4,190,774)	(349,362)	-	(4,540,136)
Park improvements	(12,695,198)	(857,634)	-	(13,552,832)
Swimming pool	(1,331,802)	(58,887)	-	(1,390,689)
Furniture and equipment	(855,851)	(77,079)	421	(932,509)
Vehicles	(543,897)	(116,296)	66,878	(593,315)
Infrastructure	<u>(83,634,379)</u>	<u>(3,789,282)</u>	<u>-</u>	<u>(87,423,661)</u>
Total accumulated depreciation	<u>(103,251,901)</u>	<u>(5,248,540)</u>	<u>67,299</u>	<u>(108,433,142)</u>
Total capital assets, being depreciated, net	<u>236,180,444</u>	<u>8,030,172</u>	<u>(3,728)</u>	<u>244,206,888</u>
Governmental activities capital assets, net	<u>\$523,617,408</u>	<u>13,609,893</u>	<u>(8,263,714)</u>	<u>528,963,587</u>

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 4 - CAPITAL ASSETS, Cont.

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Streets	\$261,766,049	3,746,472	-	265,512,521
Storm drains	20,339,226	60,089	-	20,399,315
Traffic signals	10,229,533	-	-	10,229,533
Bridges	2,683,091	-	-	2,683,091
Trails	<u>1,185,040</u>	<u>-</u>	<u>-</u>	<u>1,185,040</u>
Total infrastructure assets	<u>296,202,939</u>	<u>3,806,561</u>	<u>-</u>	<u>300,009,500</u>
Less accumulated depreciation:				
Streets & highways	(72,016,991)	(3,284,331)	-	(75,301,322)
Storm drains	(7,076,281)	(270,672)	-	(7,346,953)
Traffic signals	(2,389,443)	(135,665)	-	(2,525,108)
Bridges	(1,284,926)	(34,954)	-	(1,319,880)
Trails	<u>(866,738)</u>	<u>(63,660)</u>	<u>-</u>	<u>(930,398)</u>
Total accumulated depreciation	<u>(83,634,379)</u>	<u>(3,789,282)</u>	<u>-</u>	<u>(87,423,661)</u>
Total infrastructure assets, net	<u>\$212,568,560</u>	<u>17,279</u>	<u>-</u>	<u>212,585,839</u>

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

Governmental activities:	
General government	\$ 20,514
Public safety	55,700
Public works	4,690,621
Community development	28,223
Parks and recreation	<u>453,482</u>
Total depreciation expense – governmental activities	<u>\$5,248,540</u>

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 5 - INTERFUND ACTIVITY

The composition of interfund balances as of June 30, 2010, is as follows:

Interfund receivables/payables:

Due from:	
Miscellaneous Grants Funds	\$2,167,129
Non-major Governmental Funds	<u>235,482</u>
Total due to General Fund	<u>\$2,402,611</u>

The Gas Tax, Measure M and Community Development Block Grant (CDBG) Funds, which are classified as nonmajor governmental funds and the Miscellaneous Grants Fund had negative cash balances at June 30, 2010. Cash was loaned to these funds from the General Fund to eliminate the negative cash balances for financial statement purposes only.

Interfund transfers:

Transfers out:	Transfers in:			<u>Totals</u>
	<u>General Fund</u>	<u>City Capital Projects Fund</u>	<u>Vehicle Replacement Fund</u>	
General Fund	\$ -	9,250,314	137,828	9,388,142
Miscellaneous Grants Fund	624	2,269,758	-	2,270,382
Nonmajor Governmental Funds	<u>54,283</u>	<u>1,894,367</u>	<u>-</u>	<u>1,948,650</u>
Total transfers out	<u>\$54,907</u>	<u>13,414,439</u>	<u>137,828</u>	<u>13,607,174</u>

Most transfers relate to capital projects. Total capital project transfers were \$13,414,439. 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 identifying funding source. 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, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Compensated absences	<u>\$790,639</u>	<u>423,695</u>	<u>(454,115)</u>	<u>760,219</u>

Of the balance due for compensated absences, the amount of the ending balance that is due within one year is \$38,797. Payments for compensated absences are recorded in the General Fund.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 7 - LIABILITY, PROPERTY AND WORKERS COMPENSATION PLAN

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. 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

For general liability, each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the city's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the city's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits. The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

The City also participates in the workers' compensation pool administered by the Authority. The City pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are allocated to the members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the City's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the City's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Worker's Compensation law. Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

***NOTE 7 - LIABILITY, PROPERTY AND WORKERS COMPENSATION PLAN,
Cont.***

The City participates in the pollution legal liability and remediation legal liability 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. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City currently has all-risk property insurance protection in the amount of \$22,236,390. 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 retroactive adjustments.

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

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

NOTE 8 - CLASSIFICATION OF NET ASSETS AND FUND BALANCE

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 describes 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 describes 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 describes the portion of net asset, which is not restricted as to use.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 8 - CLASSIFICATION OF NET ASSETS AND FUND BALANCE, Cont.

Fund Balances, Reserves and Designations

In the Fund financial statements, fund balances represent the net current assets of each fund. Portions of a fund's balance may be reserved or designated for future expenditure. The various designations are established by actions of the City Council and can be increased, reduced, or eliminated by similar actions. At June 30, 2010 Governmental Fund reservations and designations included:

	<u>General</u>	<u>Miscellaneous Grants</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Totals</u>
Reserved for:					
Encumbrances	\$15,104,681	528,985	-	-	15,633,666
Prepaid expenditures	1,246	-	-	-	1,246
Deposits	<u>15,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,677</u>
Total reserved	<u>15,121,604</u>	<u>528,985</u>	<u>-</u>	<u>-</u>	<u>15,650,589</u>
Unreserved, designated for:					
Future City Hall	1,849,708	-	-	-	1,849,708
Library expansion	1,500,000	-	-	-	1,500,000
CVCP pool renovation	610,000	-	-	-	610,000
Capital projects:					
Wader pool conversion	372,384	-	-	-	372,384
Golden Lantern smart street	200,233	-	-	-	200,233
Annual street resurfacing	4,743,693	-	-	2,287,153	7,030,846
LN Gateway specific plan	1,784,273	-	-	-	1,784,273
Annual sidewalk program	480,042	-	-	-	480,042
Laguna Niguel library expansion	3,497,500	-	-	-	3,497,500
Permanent City Hall	5,460,434	-	-	-	5,460,434
Other projects	192,723	-	-	32,646	225,369
Economic uncertainty	13,121,676	-	-	-	13,121,676
Capital asset replacement:					
Streets	19,809,256	-	-	-	19,809,256
Other capital assets	6,603,085	-	-	-	6,603,085
General government operations	750,300	-	-	-	750,300
Public safety operations	102,136	-	-	-	102,136
Public works operations	472,620	-	-	-	472,620
Community development operations	175,596	-	-	-	175,596
Parks and recreation operations	<u>360,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,396</u>
Total unreserved, designated	<u>62,086,055</u>	<u>-</u>	<u>-</u>	<u>2,319,799</u>	<u>64,405,854</u>
Unreserved, undesignated (deficit)	<u>-</u>	<u>(1,836,558)</u>	<u>-</u>	<u>5,891,213</u>	<u>4,054,655</u>
Total fund balances (deficit)	<u>\$77,207,659</u>	<u>(1,307,573)</u>	<u>-</u>	<u>8,211,012</u>	<u>84,111,098</u>

Note: The total combined encumbered, designated and appropriated balance for the City Hall project at June 30, 2010 was \$21,541,285.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 8 - CLASSIFICATION OF NET ASSETS AND FUND BALANCE, Cont.

Accumulated Fund Deficits

The following fund reported a deficit in fund balance at June 30, 2010. This deficit is a result of unavailable grant revenue at June 30, 2010 and will be eliminated upon receipt of the grant reimbursement in the following fiscal year.

<u>Fund</u>	<u>Amount</u>
Special Revenue Funds:	
Miscellaneous Grants	\$(1,307,573)

Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2010 exceeded the appropriations in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Funds:			
Gas Tax			
Public works	\$1,058,500	1,096,377	(37,877)

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, 2010. 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 Basic Financial Statements
Year Ended June 30, 2010

NOTE 9 - JOINT VENTURE, Cont.

Summarized information of the Authority for the fiscal year ended June 30, 2010 is as follows:

Total assets	\$383,473,164
Total liabilities	<u>(82,166,911)</u>
Total net assets	<u>\$301,306,253</u>
Total revenue	\$251,842,703
Total expenses	<u>(245,336,424)</u>
Net increase in net assets	<u>\$ 6,506,279</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

The City is a participant in the California Public Employees Retirement System (PERS) Miscellaneous 2% at 55 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.

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of full-time City employees on their behalf and for their account. The contribution requirements of plan members and the City are established and may be amended by PERS. Benefit provisions and all other requirements are established by state statute and city ordinance.

Under GASB 27, the City recognizes annual pension cost expenditures equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate for the indicated period is 9.375% of payroll. In order to calculate the dollar value of the contractually required contributions for inclusion in the financial statements prepared as of June 30, 2010, the contribution rate is multiplied by payroll for covered employees that were actually paid during the period July 1, 2009 to June 30, 2010. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The City prepaid the contractually required contribution for the period July 1, 2009 to June 30, 2010 on July 7, 2009.

CITY OF LAGUNA NIGUEL
Notes to Basic Financial Statements
Year Ended June 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLAN, Cont.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/08	\$627,790	100%
6/30/09	688,183	100%
6/30/10	707,115	100%

NOTE 11 - OPERATING LEASES

The City has entered into eleven operating leases for copiers and other equipment. Lease terms range from 36 to 60 months with the first lease expiring in October 2010. In January 2007, the City amended their City Hall lease agreement. The City is in the second extension period of this lease, which expires October 31, 2011.

The annual lease obligations outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30</u>	<u>City Hall</u>	<u>Equipment</u>	<u>Totals</u>
2011	\$410,160	58,319	468,479
2012	138,060	41,402	179,462
2013	-	26,526	26,526
2014	-	4,235	4,235
2015	-	-	-

Total lease obligation expenditures were \$683,038 for fiscal year ended June 30, 2010.

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 Basic Financial Statements
Year Ended June 30, 2010

NOTE 13 - OUTSTANDING COMMITMENTS

Prior to the end of the fiscal year, the City awarded several consulting and capital project contracts. At June 30, 2010 the unpaid balance of these contracts are as follows:

Golden Lantern Widening project	\$ 183,229
Camino Capistrano street and landscape improvement project	945,020
Laguna Niguel Gateway Specific Plan consulting contract	52,814
Avery Widening improvement project	49,342
Paseo de Colinas bridge retrofit	28,985
City Hall project	<u>14,231,143</u>
 Total construction contract commitments	 <u>\$15,490,533</u>

These amounts have been included as encumbrances on fund balance in the financial statements.

NOTE 14 - SUBSEQUENT EVENTS

On July 6, 2010, the City Council awarded a construction contract in the amount of \$2,248,218 for framing, plaster and drywall work related to the construction of the new City Hall.

On August 17, 2010, the City Council awarded a construction contract in the amount of \$263,106 for the renovation of the Crown Valley Community Park wading pool conversion.

On August 17, 2010, the City Council approved the low responsible bid in the amount of \$3,159,000 received by the County of Orange for the Laguna Niguel Library Renovation and Expansion Project. The City Council also authorized payment to the County in the amount of \$2,509,000 for funding of this project.

On September 21, 2010, the City Council awarded a construction contract in the amount of \$875,390 for on-going resurfacing of City streets.

On November 16, 2010, the City Council awarded two construction contracts in the amount of \$457,000 and \$581,908 for the photovoltaic panels and the audio/visual/broadcast equipment, respectively for the new City Hall.

There had been questions raised during the course of the fiscal year as to the adequacy of compliance with the fertilization requirements pertaining to one of the City's landscape maintenance contracts. The City participated in negotiations with the vendor and sought to resolve the matter by establishing a credit to the City. On November 16, 2010, the City Council approved a settlement agreement with the vendor that establishes a credit due the City by the landscape maintenance vendor in the amount of \$125,580.

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CITY OF LAGUNA NIGUEL
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Required Supplementary Information
 Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amounts	Variance with	Prior Year Actuals
	Original	Final		Final Budget Positive (Negative)	
Revenues:					
Taxes	\$ 24,336,000	26,094,336	26,475,488	381,152	28,379,587
Intergovernmental	182,500	394,812	309,781	(85,031)	422,863
Charges for services	2,018,100	2,164,100	2,186,186	22,086	2,134,061
Franchise fees	2,364,000	2,416,000	2,314,813	(101,187)	2,350,145
Fines and forfeitures	322,000	397,000	392,873	(4,127)	344,817
Investment income	2,468,400	2,142,400	1,869,706	(272,694)	4,030,409
Miscellaneous	68,600	262,213	504,205	241,992	413,575
Total revenues	<u>31,759,600</u>	<u>33,870,861</u>	<u>34,053,052</u>	<u>182,191</u>	<u>38,075,457</u>
Expenditures:					
Current:					
General government	5,155,055	4,825,785	3,733,894	1,091,891	3,654,397
Public safety	9,807,541	10,018,744	9,796,846	221,898	9,492,781
Public works	7,273,896	7,554,597	6,723,602	830,995	6,958,083
Community development	2,531,984	3,160,590	2,640,643	519,947	2,672,684
Parks and recreation	3,467,985	3,925,092	3,348,365	576,727	2,766,397
Total expenditures	<u>28,236,461</u>	<u>29,484,808</u>	<u>26,243,350</u>	<u>3,241,458</u>	<u>25,544,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,523,139</u>	<u>4,386,053</u>	<u>7,809,702</u>	<u>3,423,649</u>	<u>12,531,115</u>
Other financing sources (uses):					
Transfers in	-	-	54,907	54,907	1,933
Transfers out	<u>(3,581,670)</u>	<u>(41,161,052)</u>	<u>(9,388,142)</u>	<u>31,772,910</u>	<u>(17,804,124)</u>
Total other financing sources (uses)	<u>(3,581,670)</u>	<u>(41,161,052)</u>	<u>(9,333,235)</u>	<u>31,827,817</u>	<u>(17,802,191)</u>
Net change in fund balances	(58,531)	(36,775,000)	(1,523,533)	35,251,466	(5,271,076)
Fund balances at beginning of year	<u>78,731,192</u>	<u>78,731,192</u>	<u>78,731,192</u>	-	<u>84,002,268</u>
Fund balances at end of year	<u>\$ 78,672,661</u>	<u>41,956,192</u>	<u>77,207,659</u>	<u>35,251,466</u>	<u>78,731,192</u>

CITY OF LAGUNA NIGUEL
Miscellaneous Grants Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Required Supplementary Information
Year Ended June 30, 2010

(with comparative data for prior year)

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actual
	<u>Original</u>	<u>Final</u>			
Revenues:					
Intergovernmental	\$ 1,613,416	2,673,416	5,306,879	2,633,463	1,816,932
Investment income	<u>500</u>	<u>500</u>	<u>985</u>	<u>485</u>	<u>1,357</u>
Total revenues	<u>1,613,916</u>	<u>2,673,916</u>	<u>5,307,864</u>	<u>2,633,948</u>	<u>1,818,289</u>
Expenditures:					
Current:					
Community development	<u>46,416</u>	<u>46,416</u>	<u>38,539</u>	<u>7,877</u>	<u>38,644</u>
Total expenditures	<u>46,416</u>	<u>46,416</u>	<u>38,539</u>	<u>7,877</u>	<u>38,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,567,500</u>	<u>2,627,500</u>	<u>5,269,325</u>	<u>2,641,825</u>	<u>1,779,645</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	5,092
Transfers out	<u>(1,567,000)</u>	<u>(3,665,877)</u>	<u>(2,270,382)</u>	<u>1,395,495</u>	<u>(5,760,352)</u>
Total other financing sources (uses)	<u>(1,567,000)</u>	<u>(3,665,877)</u>	<u>(2,270,382)</u>	<u>1,395,495</u>	<u>(5,755,260)</u>
Net change in fund balances	500	(1,038,377)	2,998,943	4,037,320	(3,975,615)
Fund balances (deficit) at beginning of year	<u>(4,306,516)</u>	<u>(4,306,516)</u>	<u>(4,306,516)</u>	<u>-</u>	<u>(330,901)</u>
Fund balances (deficit) at end of year	<u>\$ (4,306,016)</u>	<u>(5,344,893)</u>	<u>(1,307,573)</u>	<u>4,037,320</u>	<u>(4,306,516)</u>

CITY OF LAGUNA NIGUEL
Notes to Required Supplementary Information
Year Ended June 30, 2010

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. After reviewing the proposed budget and making such revisions as it may deem advisable, public hearings are conducted prior to its adoption by the City Council. The City Council approves each year's budget by resolution at the first meeting of the new 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. During the year, several supplementary appropriations were necessary. Aggregate amendments were not material in relation to the original appropriations.

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. Open encumbrances are recorded as reservations of fund balance since the commitments will be paid by subsequent year's budget appropriations. Encumbrances do not constitute expenditures or liabilities.

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CITY OF LAGUNA NIGUEL
City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010

(with comparative data for prior year)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Prior Year Actual</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Developer fees	\$ 100,000	100,000	-	(100,000)	184,779
Expenditures:					
Capital outlay	9,570,380	50,113,741	13,414,439	36,699,303	25,615,161
Total expenditures	<u>9,570,380</u>	<u>50,113,741</u>	<u>13,414,439</u>	<u>36,699,303</u>	<u>25,615,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,470,380)</u>	<u>(50,013,741)</u>	<u>(13,414,439)</u>	<u>36,599,303</u>	<u>(25,430,382)</u>
Other financing sources (uses):					
Transfers in	9,470,380	49,487,291	13,414,439	(36,072,852)	25,430,382
Total other financing sources (uses)	<u>9,470,380</u>	<u>49,487,291</u>	<u>13,414,439</u>	<u>(36,072,852)</u>	<u>25,430,382</u>
Net change in fund balances	-	(526,451)	-	526,451	-
Fund balances at beginning of year	-	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ -</u>	<u>(526,451)</u>	<u>-</u>	<u>526,451</u>	<u>-</u>

CITY OF LAGUNA NIGUEL
NON-MAJOR GOVERNMENTAL FUNDS

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 2105, 2106, 2107 and 2107.5.

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.

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.

Senior Citizens Building Fund

Accounts for special projects of the Sea Country Senior and Community Center.

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.

CITY OF LAGUNA NIGUEL
NON-MAJOR GOVERNMENTAL FUNDS, (Continued)

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.

Streets and Roads Fund

Accounts for a portion of the annual street resurfacing program expenditures. Financing is provided by the interest earned on the excess vehicle license fees collected by the City.

CITY OF LAGUNA NIGUEL
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

(with comparative data for prior year)

	Special Revenue				
	<u>Gas Tax</u>	<u>Air Quality Improvement</u>	<u>Measure "M"</u>	<u>Prop 1B</u>	<u>Senior Citizens Building</u>
Assets					
Cash and investments	\$ -	280,708	-	65,793	8,932
Due from other governments	<u>102,853</u>	<u>20,434</u>	<u>122,843</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 102,853</u>	<u>301,142</u>	<u>122,843</u>	<u>65,793</u>	<u>8,932</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	5,544	-	-	-
Due to other funds	<u>102,853</u>	<u>-</u>	<u>122,843</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>102,853</u>	<u>5,544</u>	<u>122,843</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for encumbrances	-	-	-	-	-
Unreserved:					
Designated for capital projects	-	-	-	32,646	-
Undesignated	<u>-</u>	<u>295,598</u>	<u>-</u>	<u>33,147</u>	<u>8,932</u>
Total fund balances	<u>-</u>	<u>295,598</u>	<u>-</u>	<u>65,793</u>	<u>8,932</u>
Total liabilities and fund balances	<u>\$ 102,853</u>	<u>301,142</u>	<u>122,843</u>	<u>65,793</u>	<u>8,932</u>

<u>Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Streets and Roads</u>	<u>Total Nonmajor Governmental Funds</u>	
			<u>2010</u>	<u>2009</u>
241,864	-	7,573,921	8,171,218	8,194,302
<u>33,737</u>	<u>21,331</u>	<u>-</u>	<u>301,198</u>	<u>261,251</u>
<u>275,601</u>	<u>21,331</u>	<u>7,573,921</u>	<u>8,472,416</u>	<u>8,455,553</u>
8,833	11,545	-	25,922	27,170
<u>-</u>	<u>9,786</u>	<u>-</u>	<u>235,482</u>	<u>219,035</u>
<u>8,833</u>	<u>21,331</u>	<u>-</u>	<u>261,404</u>	<u>246,205</u>
-	-	-	-	138,902
-	-	2,287,153	2,319,799	146,772
<u>266,768</u>	<u>-</u>	<u>5,286,768</u>	<u>5,891,213</u>	<u>7,923,674</u>
<u>266,768</u>	<u>-</u>	<u>7,573,921</u>	<u>8,211,012</u>	<u>8,209,348</u>
<u>275,601</u>	<u>21,331</u>	<u>7,573,921</u>	<u>8,472,416</u>	<u>8,455,553</u>

CITY OF LAGUNA NIGUEL
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2010

(with comparative data for prior year)

	Special Revenue				
	<u>Gas Tax</u>	<u>Air Quality Improvement</u>	<u>Measure "M"</u>	<u>Prop 1B</u>	<u>Senior Citizens Building</u>
Revenues					
Intergovernmental	\$ 1,096,377	76,090	689,247	990,217	-
Investment income	-	7,708	-	(4,978)	223
Total revenues	<u>1,096,377</u>	<u>83,798</u>	<u>689,247</u>	<u>985,239</u>	<u>223</u>
Expenditures					
Current:					
Public safety	-	-	-	-	-
Public works	1,096,377	21,597	-	-	-
Community development	-	-	-	-	-
Total expenditures	<u>1,096,377</u>	<u>21,597</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>62,201</u>	<u>689,247</u>	<u>985,239</u>	<u>223</u>
Other financing sources (uses):					
Transfers out	-	(54,283)	(689,247)	(1,205,120)	-
Total other financing sources (uses)	<u>-</u>	<u>(54,283)</u>	<u>(689,247)</u>	<u>(1,205,120)</u>	<u>-</u>
Net change in fund balances	-	7,918	-	(219,881)	223
Fund balances at beginning of year	-	287,680	-	285,674	8,709
Fund balances at end of year	<u>\$ -</u>	<u>295,598</u>	<u>-</u>	<u>65,793</u>	<u>8,932</u>

<u>Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Streets and Roads</u>	<u>Total Nonmajor Governmental Funds</u>	
			<u>2010</u>	<u>2009</u>
124,249	110,175	-	3,086,355	2,850,859
<u>6,200</u>	<u>-</u>	<u>188,951</u>	<u>198,104</u>	<u>424,489</u>
<u>130,449</u>	<u>110,175</u>	<u>188,951</u>	<u>3,284,459</u>	<u>3,275,348</u>
105,996	-	-	105,996	100,444
-	-	-	1,117,974	1,114,606
<u>-</u>	<u>110,175</u>	<u>-</u>	<u>110,175</u>	<u>75,489</u>
<u>105,996</u>	<u>110,175</u>	<u>-</u>	<u>1,334,145</u>	<u>1,290,539</u>
<u>24,453</u>	<u>-</u>	<u>188,951</u>	<u>1,950,314</u>	<u>1,984,809</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,948,650)</u>	<u>(1,872,931)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,948,650)</u>	<u>(1,872,931)</u>
24,453	-	188,951	1,664	111,878
<u>242,315</u>	<u>-</u>	<u>7,384,970</u>	<u>8,209,348</u>	<u>8,097,470</u>
<u>266,768</u>	<u>-</u>	<u>7,573,921</u>	<u>8,211,012</u>	<u>8,209,348</u>

CITY OF LAGUNA NIGUEL
 Gas Tax Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 1,058,500	1,058,500	1,096,377	37,877	1,070,825
Total revenues	<u>1,058,500</u>	<u>1,058,500</u>	<u>1,096,377</u>	<u>37,877</u>	<u>1,070,825</u>
Expenditures:					
Current:					
Public works	1,058,500	1,058,500	1,096,377	(37,877)	1,070,825
Total expenditures	<u>1,058,500</u>	<u>1,058,500</u>	<u>1,096,377</u>	<u>(37,877)</u>	<u>1,070,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-	-
Fund balances at beginning of year	-	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF LAGUNA NIGUEL
 Air Quality Improvement Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 75,000	75,000	76,090	1,090	78,090
Investment income	6,900	6,900	7,708	808	14,059
Total revenues	<u>81,900</u>	<u>81,900</u>	<u>83,798</u>	<u>1,898</u>	<u>92,149</u>
Expenditures:					
Current:					
Public works	<u>35,000</u>	<u>35,000</u>	<u>21,597</u>	<u>13,403</u>	<u>43,781</u>
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>21,597</u>	<u>13,403</u>	<u>43,781</u>
Excess (deficiency) of revenues over (under) expenditures	<u>46,900</u>	<u>46,900</u>	<u>62,201</u>	<u>15,301</u>	<u>48,368</u>
Other financing sources (uses)					
Transfers out	<u>(58,632)</u>	<u>(58,632)</u>	<u>(54,283)</u>	<u>4,349</u>	<u>-</u>
Total other financing sources (uses)	<u>(58,632)</u>	<u>(58,632)</u>	<u>(54,283)</u>	<u>4,349</u>	<u>-</u>
Net change in fund balances	(11,732)	(11,732)	7,918	19,650	48,368
Fund balances at beginning of year	<u>287,680</u>	<u>287,680</u>	<u>287,680</u>	<u>-</u>	<u>239,312</u>
Fund balances at end of year	<u>\$ 275,948</u>	<u>275,948</u>	<u>295,598</u>	<u>19,650</u>	<u>287,680</u>

CITY OF LAGUNA NIGUEL
Measure "M" Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 795,000	689,000	689,247	247	784,781
Investment income	-	-	-	-	37
Total revenues	795,000	689,000	689,247	247	784,818
Expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	795,000	689,000	689,247	247	784,818
Other financing sources (uses):					
Transfers out	(795,000)	(795,000)	(689,247)	105,753	(790,457)
Total other financing sources (uses)	(795,000)	(795,000)	(689,247)	105,753	(790,457)
Net change in fund balances	-	(106,000)	-	106,000	(5,639)
Fund balances at beginning of year	-	-	-	-	5,639
Fund balances at end of year	\$ -	(106,000)	-	106,000	-

CITY OF LAGUNA NIGUEL
 Prop 1B Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 1,010,000	1,010,000	990,217	(19,783)	500,000
Investment income	-	-	(4,978)	(4,978)	22,709
Total revenues	<u>1,010,000</u>	<u>1,010,000</u>	<u>985,239</u>	<u>(24,761)</u>	<u>522,709</u>
Expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>1,010,000</u>	<u>1,010,000</u>	<u>985,239</u>	<u>(24,761)</u>	<u>522,709</u>
Other financing sources (uses)					
Transfers out	<u>(1,010,000)</u>	<u>(1,257,549)</u>	<u>(1,205,120)</u>	<u>52,429</u>	<u>(252,451)</u>
Total other financing sources (uses)	<u>(1,010,000)</u>	<u>(1,257,549)</u>	<u>(1,205,120)</u>	<u>52,429</u>	<u>(252,451)</u>
Net change in fund balances	-	(247,549)	(219,881)	27,668	270,258
Fund balances at beginning of year	<u>285,674</u>	<u>285,674</u>	<u>285,674</u>	<u>-</u>	<u>15,416</u>
Fund balances at end of year	<u>\$ 285,674</u>	<u>38,125</u>	<u>65,793</u>	<u>27,668</u>	<u>285,674</u>

CITY OF LAGUNA NIGUEL
 Senior Citizens Building Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Investment income	\$ -	-	223	223	449
Total revenues	-	-	223	223	449
Expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	223	223	449
Other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	-	223	223	449
Fund balances at beginning of year	8,709	8,709	8,709	-	8,260
Fund balances at end of year	\$ 8,709	8,709	8,932	223	8,709

CITY OF LAGUNA NIGUEL
 Law Enforcement Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amounts	Variance with	Prior Year Actual
	Original	Final		Final Budget Positive (Negative)	
Revenues:					
Intergovernmental	\$ 106,000	100,000	124,249	24,249	75,843
Investment income	7,300	7,300	6,200	(1,100)	12,065
Total revenues	<u>113,300</u>	<u>107,300</u>	<u>130,449</u>	<u>23,149</u>	<u>87,908</u>
Expenditures:					
Current:					
Public safety	<u>106,000</u>	<u>106,000</u>	<u>105,996</u>	<u>4</u>	<u>100,444</u>
Total expenditures	<u>106,000</u>	<u>106,000</u>	<u>105,996</u>	<u>4</u>	<u>100,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,300</u>	<u>1,300</u>	<u>24,453</u>	<u>23,153</u>	<u>(12,536)</u>
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,300	1,300	24,453	23,153	(12,536)
Fund balances at beginning of year	<u>242,315</u>	<u>242,315</u>	<u>242,315</u>	<u>-</u>	<u>254,851</u>
Fund balances at end of year	<u>\$ 249,615</u>	<u>243,615</u>	<u>266,768</u>	<u>23,153</u>	<u>242,315</u>

CITY OF LAGUNA NIGUEL
Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010

(with comparative data for prior year)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with	<u>Prior Year Amounts</u>
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)	
Revenues:					
Intergovernmental	\$ 337,294	337,294	110,175	(227,119)	341,320
Total revenues	<u>337,294</u>	<u>337,294</u>	<u>110,175</u>	<u>(227,119)</u>	<u>341,320</u>
Expenditures:					
Current:					
Community development	117,899	117,899	110,175	7,724	75,489
Total expenditures	<u>117,899</u>	<u>117,899</u>	<u>110,175</u>	<u>7,724</u>	<u>75,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,395</u>	<u>219,395</u>	<u>-</u>	<u>(219,395)</u>	<u>265,831</u>
Other financing sources (uses):					
Transfers out	(229,557)	(320,661)	-	320,661	(265,831)
Total other financing sources (uses)	<u>(229,557)</u>	<u>(320,661)</u>	<u>-</u>	<u>320,661</u>	<u>(265,831)</u>
Net change in fund balances	(10,162)	(101,266)	-	101,266	-
Fund balances at beginning of year	-	-	-	-	-
Fund balances at end of year	<u>\$ (10,162)</u>	<u>(101,266)</u>	<u>-</u>	<u>101,266</u>	<u>-</u>

CITY OF LAGUNA NIGUEL
Street and Roads Capital Improvement Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010

(with comparative data for prior year)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Prior Year Actuals
	<u>Original</u>	<u>Final</u>			
Revenues:					
Investment income	\$ 215,000	215,000	188,951	(26,049)	375,170
Total revenues	<u>215,000</u>	<u>215,000</u>	<u>188,951</u>	<u>(26,049)</u>	<u>375,170</u>
Expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>215,000</u>	<u>215,000</u>	<u>188,951</u>	<u>(26,049)</u>	<u>375,170</u>
Other financing sources (uses)					
Transfers out	<u>(2,287,153)</u>	<u>(2,287,153)</u>	<u>-</u>	<u>2,287,153</u>	<u>(564,192)</u>
Total other financing sources (uses)	<u>(2,287,153)</u>	<u>(2,287,153)</u>	<u>-</u>	<u>2,287,153</u>	<u>(564,192)</u>
Net change in fund balances	(2,072,153)	(2,072,153)	188,951	2,261,104	(189,022)
Fund balances at beginning of year	<u>7,384,970</u>	<u>7,384,970</u>	<u>7,384,970</u>	<u>-</u>	<u>7,573,992</u>
Fund balances at end of year	<u>\$ 5,312,817</u>	<u>5,312,817</u>	<u>7,573,921</u>	<u>2,261,104</u>	<u>7,384,970</u>

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CITY OF LAGUNA NIGUEL
STATISTICAL SECTION

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.

Contents	Page
FINANCIAL TRENDS	67
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
REVENUE CAPACITY	74
These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	
DEBT CAPACITY	79
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.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	82
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
OPERATING INFORMATION	84
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 Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	\$ 284,486,409	286,053,078	293,592,784	305,348,578	502,836,175	506,824,050	523,617,408	528,963,587
Restricted								
Public safety	367,888	246,129	248,388	248,246	292,802	254,851	242,315	266,768
Public works	1,465,729	1,940,818	1,288,289	1,510,298	697,650	556,515	832,601	374,801
Community development	10,254	16,114	7,165	-	8,802	11,910	13,201	16,319
Parks and recreation	-	-	192,593	196,444	207,010	49,902	50,351	50,574
Total restricted	1,843,871	2,203,061	1,736,435	1,954,988	1,206,264	873,178	1,138,468	708,462
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
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

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 assets information prior to the implementation of GASB 34 is not available.

CITY OF LAGUNA NIGUEL
 Changes in Net Assets
 Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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 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
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 ²
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
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
Total expenses	<u>23,505,804</u>	<u>22,937,899</u>	<u>23,992,861</u>	<u>27,625,443</u>	<u>32,881,084</u>	<u>35,346,462</u>	<u>35,789,423</u>	<u>35,818,258</u>
Program revenue:								
Charges for services:								
General government	-	78,720	64,779	92,913	4,692	4,692	4,692	4,692
Public safety	343,335	333,614	404,839	398,167	411,654	469,455	367,029	439,378
Public works	183,013	161,311	114,327	216,116	301,497	234,525	149,584	251,728
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
Parks and recreation	701,985	772,470	767,799	930,132	1,136,165	1,039,992	1,027,064	959,966
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
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
Total program revenues	<u>5,885,931</u>	<u>5,916,916</u>	<u>6,856,271</u>	<u>7,382,524</u>	<u>7,985,516</u>	<u>9,242,703</u>	<u>11,596,478</u>	<u>8,336,416</u>
Net revenues (expenses):	<u>(17,619,873)</u>	<u>(17,020,983)</u>	<u>(17,136,590)</u>	<u>(20,242,919)</u>	<u>(24,895,568)</u>	<u>(26,103,759)</u>	<u>(24,192,945)</u>	<u>(27,481,842)</u>

CITY OF LAGUNA NIGUEL
 Changes in Net Assets
 Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General revenues and other changes in net assets:								
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 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
Motor vehicle license fee	3,679,270	2,988,103	3,579,045	1,560,613	357,484	295,283	227,505	197,444 ³
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
Other taxes	745,159	977,904	925,448	794,102	514,883	369,355	306,998	402,131
Investment income	2,924,867	90,125	1,782,014	1,392,065	4,337,449	5,873,313	4,391,413	1,976,063 ⁴
Other general revenue	812,561	490,744	330,909	1,517,681	378,186	43,193	468,380	264,425 ⁵
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
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

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 it's 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 is reporting 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 Investment income includes unrealized gains and losses due to the reporting of investments at market value in accordance with GASB 31.

⁵ The City received a one-time contribution in the amount of \$1.3 million upon the renewal of it's cable franchise agreement in 2006.

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CITY OF LAGUNA NIGUEL
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	2,666,431	2,516,513	1,518,103	801,002	657,688	1,614,065	2,765,277	9,229,510	2,825,279	15,121,604
Unreserved	28,760,243	31,669,873	35,760,361	42,532,538	59,738,025	69,548,486	73,231,017	74,772,758	75,905,913	62,086,055
Total general fund	31,426,674	34,186,386	37,278,464	43,333,540	60,395,713	71,162,551	75,996,294	84,002,268	78,731,192	77,207,659
All other governmental funds										
Reserved	704,087	341,423	331,314	715,703	147,066	10,430	-	5,235,544	1,169,155	528,985
Unreserved, reported in:										
Special revenue funds	16,265,386	18,286,952	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	-	(192,106)	-	-	13,866	-	-	-	-	-
Total all other governmental funds	16,969,473	18,436,269	19,567,334	21,023,937	7,194,651	6,987,034	7,591,281	7,766,569	3,902,832	6,903,439

¹ The Laguna Niguel Community Services District (LNCSD) was a subsidiary district of the City and was reported in a special revenue fund during its incorporation. 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.

CITY OF LAGUNA NIGUEL
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:										
Taxes	15,431,253	16,522,166	18,490,772	20,869,176	24,371,276	26,712,124	27,991,950	28,803,731	28,379,587	26,475,488
Intergovernmental	7,355,753	7,671,179	6,852,136	5,965,405	4,015,566	5,342,167	5,536,498	6,661,794	5,090,654	8,703,015
Charges for services	1,915,276	1,642,462	1,931,928	2,346,791	2,008,952	2,595,053	2,854,763	2,711,824	2,134,061	2,186,186
Franchise fees	1,481,626	1,619,207	1,599,863	1,748,801	1,856,585	2,037,713	2,258,166	2,266,240	2,350,145	2,314,813
Fines and forfeitures	313,147	325,656	343,335	333,614	404,839	398,168	373,594	435,708	344,817	392,873
Investment income	3,708,838	3,053,430	3,009,102	98,947	1,806,430	1,403,615	4,405,001	5,946,104	4,456,255	2,068,795
Developer fees	-	-	72,316	50,505	118,813	-	-	-	184,779	-
Miscellaneous	610,369	374,956	874,357	595,225	382,786	1,670,583	545,400	324,699	413,575	504,205
Total revenues	30,816,262	31,209,056	33,173,809	32,008,464	34,965,247	40,159,423	43,965,372	47,150,100	43,353,873	42,645,375
Expenditures:										
Current:										
General government	3,419,012	3,352,846	3,397,443	3,099,078	3,380,939	3,925,963	3,639,172	3,981,079	3,654,397	3,733,894
Public safety	5,698,368	5,784,707	6,978,966	7,294,818	7,579,848	8,025,388	8,534,667	9,574,838	9,593,225	9,902,842
Public works	5,195,372	5,426,061	6,192,962	6,194,167	6,338,684	7,146,574	7,793,330	8,119,102	8,072,689	7,841,576
Community development	1,649,797	1,634,127	1,734,483	1,818,093	2,009,571	2,211,606	2,639,226	3,054,213	2,786,817	2,789,357
Parks and recreation	1,513,235	1,599,478	1,813,967	1,976,400	2,076,295	2,237,048	2,477,203	2,702,555	2,766,397	3,348,365
Capital outlay	5,657,429	9,120,816	8,639,415	4,115,843	10,020,112	5,953,801	13,408,783	11,537,051	25,615,161	13,414,439
Debt service:										
Principal	-	-	-	31,789	14,703	15,394	3,961	-	-	-
Interest	-	-	-	1,836	1,360	612	40	-	-	-
Total expenditures	23,133,213	26,918,035	28,757,236	24,532,024	31,421,512	29,516,386	38,496,382	38,968,838	52,488,686	41,030,473
Excess (deficiency) of revenues over (under) expenditures	7,683,049	4,291,021	4,416,573	7,476,440	3,543,735	10,643,037	5,468,990	8,181,262	(9,134,813)	1,614,902

CITY OF LAGUNA NIGUEL
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Other financing sources (uses):										
Capital leases	-	-	-	45,011	-	-	-	-	-	-
Transfers in	6,400,159	10,378,550	9,598,717	4,999,523	11,368,446	6,657,311	13,489,803	11,680,228	25,437,407	13,469,346
Transfers out	(6,458,288)	(10,443,063)	(9,682,550)	(5,009,295)	(11,679,294)	(6,741,127)	(13,520,803)	(11,680,228)	(25,437,407)	(13,607,174)
Total other financing sources (uses)	(58,129)	(64,513)	(83,833)	35,239	(310,848)	(83,816)	(31,000)	-	-	(137,828)
Net change in fund balances	<u>7,624,920</u>	<u>4,226,508</u>	<u>4,332,740</u>	<u>7,511,679</u>	<u>3,232,887</u>	<u>10,559,221</u>	<u>5,437,990</u>	<u>8,181,262</u>	<u>(9,134,813)</u>	<u>1,477,074</u>
Debt service as a percentage of noncapital expenditures	0%	0%	0%	0.16%	0.07%	0.06%	0.01%	0.00%	0.00%	0.00%

CITY OF LAGUNA NIGUEL

Tax Revenues by Source - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Taxes		Sales & Use Tax		Property Transfer Tax		Occupancy Tax		Total	
	Actual	Change %	Actual	Change %	Actual	Change %	Actual	Change %	Actual	Change %
2001	\$ 7,305,063	7%	\$ 7,646,824	3%	\$ 462,434	-4%	\$ 16,932	37%	\$ 15,431,253	5%
2002	7,846,493	7%	8,104,142	6%	545,838	18%	25,270	49%	16,521,743	7%
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%	10,898,684	-1%	766,913	-6%	41,971	-7%	24,371,276	17%
2006	14,794,789	17%	11,123,233	2%	746,456	-3%	47,646	14%	26,712,124	10%
2007	16,333,325	10%	11,143,742	0%	469,693	-37%	45,190	-5%	27,991,950	5%
2008	17,334,996	6%	11,099,380	0%	327,191	-30%	42,164	-7%	28,803,731	3%
2009	17,453,828	1%	10,618,760	-4%	277,666	-15%	29,332	-30%	28,379,586	-1%
2010	16,917,258	-3%	9,156,099	-14%	377,640	36%	24,492	-17%	26,475,489	-7%
Change 2001-2010		132%		20%		-18%		45%		72%

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

CITY OF LAGUNA NIGUEL
Assessed Value of Taxable Property
Last Ten Fiscal Years

Year	Residential	Commercial	Industrial	Other	Unsecured	Taxable Assessed Value	Direct Tax Rate		Total
					City		LNCSD	Total	
2001	6,400,707,295	369,505,983	40,772,418	148,718,372	99,855,915	7,059,559,983	0.02416%	0.11047%	0.13463%
2002	6,854,456,949	374,770,511	43,025,228	277,514,024	107,447,170	7,657,213,882	0.02416%	0.11047%	0.13463%
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%

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 2000/01 - 2009/10 combined tax rolls, through HdL, Coren & Cone.

CITY OF LAGUNA NIGUEL
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Year	City Share of Direct Rate	County Direct Rate	Overlapping Rates										Total Direct and Overlapping Rates
			Capistrano Unified	Capistrano Valley Water	Laguna Beach Unified	MNWD	Saddleback Valley Unified	South Coast Water	Metro Water				
2001	0.13463%	1.00%	0.00860%	0.00414%	0.00000%	0.28287%	0.00000%	0.02156%	0.01760%	1.33477%			
2002	0.13463%	1.00%	0.00834%	0.00160%	0.03763%	0.20824%	0.00000%	0.01932%	0.01440%	1.28953%			
2003	0.13463%	1.00%	0.01054%	0.00129%	0.02897%	0.18383%	0.00000%	0.01657%	0.01340%	1.25460%			
2004	0.13463%	1.00%	0.01292%	0.00000%	0.02594%	0.20377%	0.00000%	0.01239%	0.01220%	1.26722%			
2005	0.13463%	1.00%	0.01191%	0.00000%	0.02020%	0.18214%	0.03626%	0.01075%	0.01160%	1.27286%			
2006	0.13463%	1.00%	0.01078%	0.00000%	0.01897%	0.10122%	0.03079%	0.00980%	0.01040%	1.18196%			
2007	0.13463%	1.00%	0.00947%	0.00000%	0.01720%	0.09855%	0.03694%	0.00904%	0.00940%	1.18060%			
2008	0.13463%	1.00%	0.01019%	0.00000%	0.01808%	0.07810%	0.02668%	0.00963%	0.00900%	1.15168%			
2009	0.13463%	1.00%	0.00971%	0.00000%	0.01544%	0.10469%	0.02834%	0.00925%	0.00430%	1.17173%			
2010	0.13463%	1.00%	0.01077%	0.00000%	0.01683%	0.14832%	0.03043%	0.00919%	0.00430%	1.21984%			

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 2000/01 - 2009/10 Tax Rate Tables, through HdL, Coren & Cone

CITY OF LAGUNA NIGUEL
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2010</u>				<u>2001</u>			
	<u>Assessed Value</u>	<u>Estimated Revenue</u>	<u>Rank</u>	<u>% of Total City Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Estimated Revenue</u>	<u>Rank</u>	<u>% of Total City Taxable Assessed Value</u>
Stonebridge Investors Limited	\$ 94,380,472	\$ 127,064	1	0.79%	\$ -	\$ -	-	-
BRE Properties, Inc.	71,329,782	96,031	2	0.60%	-	-	-	-
Arden Realty Limited Partners	50,945,566	68,588	3	0.43%	29,417,017	39,604	7	0.42%
Shapell Industries, Inc.	49,728,726	66,950	4	0.42%	51,662,478	69,553	2	0.73%
Costco Wholesale Corporation	46,714,032	62,891	5	0.39%	-	-	-	-
Seaside Meadows Partners	43,467,135	58,520	6	0.37%	36,425,475	49,040	3	0.52%
Laguna Niguel Investors No. 1 & 2 LLC	38,379,005	51,670	7	0.32%	31,169,733	41,964	5	0.44%
FG Laguna Niguel Senior Apt. LP	36,739,013	49,462	8	0.31%	-	-	-	-
EQR Bond Partnership	36,298,684	48,869	9	0.31%	30,412,775	40,945	6	0.43%
Ocean Ranch II	35,537,471	47,844	10	0.30%	-	-	-	-
Simpson Housing Limited	-	-	-	-	62,345,735	83,936	1	0.88%
OTR	-	-	-	-	34,486,180	46,429	4	0.49%
Laguna Niguel/Copley Associates	-	-	-	-	24,409,938	32,863	8	0.35%
Buie-Area M Limited	-	-	-	-	23,489,619	31,624	9	0.33%
Florida Sherwood Forest Limited	-	-	-	-	23,280,074	31,342	10	0.33%
Total	\$ 503,519,886	677,889		4.24%	\$347,099,024	467,299		4.91%

Source: Orange County Assessor 2009/10 and 2000/2001 Combined Tax Rolls through HdL, Coren & Cone.

CITY OF LAGUNA NIGUEL
Property Tax Levies and Collections
Last Nine 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			
2002	\$ 7,922,449	\$ 7,813,683	98.63%	\$ 108,766	\$ 106,858 ¹	\$ 108,766
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

Notes:

Information for fiscal year 00-01 is not available.

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.

¹ Collections for previous year levies in 2002 is not reflected in the cumulative unpaid balance since this amount applies entirely to levies prior to 2002.

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
2001	91,471	0.00130%	1.46
2002	41,524	0.00054%	0.65
2003	20,836	0.00026%	0.32
2004	34,058	0.00039%	0.52
2005	19,355	0.00020%	0.29
2006	3,961	0.00004%	0.06
2007	-	0.00000%	-
2008	-	0.00000%	-
2009	-	0.00000%	-
2010	-	0.00000%	-

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 73 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, 2010

2009/10 Assessed Valuation: \$11,879,637,167

	Total Debt 6/30/10	% Applicable (1)	City's Share of Debt 6/30/10
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 264,220,000	0.657%	\$ 1,735,925
Capistrano Unified School District School Facilities Improvement District No. 1	51,174,930	27.477%	14,061,336
Laguna Beach Unified School District	33,600,000	0.009%	3,024
Saddleback Valley Unified School District	137,690,000	0.071%	97,760
Moulton-Niguel Water District, Improvement District No. 7	11,870,000	87.891%	10,432,662
Moulton-Niguel Water District, Improvement District No. 8	225,000	4.989%	11,225
South Coast Water District	4,060,000	6.705%	272,223
City of Laguna Niguel	-	100.000%	-
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 26,614,155

OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	\$ 391,027,000	3.173%	\$ 12,407,287
Orange County Pension Obligations	59,333,382	3.173%	1,882,648
Orange County Board of Education Certificates of Participation	19,230,000	3.173%	610,168
South Orange County Community College District Certificates of Participation	18,845,000	7.359%	1,386,804
Capistrano Unified School District Certificates of Participation	33,020,000	18.428%	6,084,926
Moulton-Niguel Water District Certificates of Participation	86,889,318	44.808%	38,933,366
Municipal Water District of Orange County Water Facilities Corporation	15,965,000	3.754%	599,326
Orange County Fire Authority General Fund Obligations	3,590,000	6.187%	222,113
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$ 62,126,638
Less: MWDOC Water Facilities Corporation (100% self-supporting)			599,326
TOTAL NET OVERLAPPING GENERAL FUND DEBT			\$ 61,527,312

GROSS COMBINED TOTAL DEBT	(2)	\$ 88,740,793
NET COMBINED TOTAL DEBT		\$ 88,141,467

- (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 2009-10 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.22%
Gross Combined Total Debt	0.75%
Net Combined Total Debt	0.74%

State School Building Aid Repayable as of 6/30/10: \$ -

Source: California Municipal Statistics, Inc.

CITY OF LAGUNA NIGUEL
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value \$11,879,637
 Debt limit - 3.75% of assessed value 445,486
 Debt applicable to limit -
 Legal Debt margin \$ 445,486

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	264,733	287,145	305,331	356,084	356,096	388,304	425,493	452,843	458,468	445,486
Debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal Debt margin	<u>264,733</u>	<u>287,145</u>	<u>305,331</u>	<u>356,084</u>	<u>356,096</u>	<u>388,304</u>	<u>425,493</u>	<u>452,843</u>	<u>458,468</u>	<u>445,486</u>

Total debt applicable to the limit as a percentage of debt limit 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%

Note:

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

CITY OF LAGUNA NIGUEL
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income</u>	<u>Taxable Sales Per Capita^a</u>	<u>Registered Voters</u>	<u>Housing Units</u>	<u>Median Home Value^b</u>	<u>Unemployment Rate</u>
2001	62,808	\$ 2,517,445	\$ 40,082	\$ 12,168	37,249	24,027	\$ -	3.10%
2002	63,579	2,559,600	40,259	12,736	35,677	24,130	378,000	3.90%
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	*	*	13,531	42,102	25,035	495,000	7.60%

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. Data was not available for those years that are blank. Years 2001-2007 were calculated from informatin from the OC Assessors office.

Data for years 2008-2010 were obtained from HdI.

* Information not available.

Source: State Department of Finance

HdI, Coren & Cone

U.S. Department of Labor, Bureau of Labor Statistics

Center for Demographic Research

Orange County Assessor

CITY OF LAGUNA NIGUEL
Principal Employers
Current Year and Four Years Ago

<u>Taxpayer</u>	<u>2010</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Costco Wholesale Corporation	500	1	3.51%	500	1	3.15%
Capistrano Unified School District	445	2	3.13%	400	3	2.52%
Mercendez Benz	299	3	2.10%			
YMCA	286	4	2.01%			
Wal-Mart Stores, Inc.	250	5	1.76%	500	2	3.15%
Prudential California Realty	237	6	1.67%			
First Team Real Estate, Inc.	230	7	1.62%	140	8	0.88%
Home Depot USA, Inc.	200	8	1.41%	200	6	1.26%
Vons	185	9	1.30%			
United States Post Office	175	10	1.23%	196	7	1.24%
Albertsons				280	4	1.77%
County of Orange				210	5	1.32%
Kohl's Department Stores, Inc.				140	9	0.88%
Calstar Properties LLC	-		-	137	10	0.86%
Total	<u><u>2,807</u></u>		<u><u>19.72%</u></u>	<u><u>2,703</u></u>		<u><u>17.05%</u></u>

Note
Employment data is not available for years previous to 2006.

Source: HdL Coren & Cone for 2010 information
Harris Infosource for 2006 information

City of Laguna Niguel
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	5.0	5.0	4.0	3.5	3.5	3.5	4.0	4.0	4.0
City Clerk	2.5	2.0	2.0	2.0	3.5	3.5	3.5	3.5	2.5	2.5
Finance	4.0	4.0	4.0	3.0	3.5	3.5	3.5	4.5	4.5	4.5
Public safety										
Police services	1.5	1.5	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
Public works										
Administration	3.5	3.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Engineering	6.8	5.8	5.0	5.0	5.5	6.5	7.5	7.5	7.5	7.5
Median maintenance	0.4	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	3.0
Slope maintenance	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Storm drain/water quality	-	1.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Community development										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Planning	7.7	9.2	9.8	8.2	8.2	8.2	9.2	10.2	10.2	9.2
Building and safety	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Parks and recreation										
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.5	3.0
Recreational programs	7.0	7.0	9.0	10.0	10.0	10.0	10.0	12.0	11.0	11.0
Aquatics	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	9.0	9.0
Skateboard Park	-	-	0.5	5.5	6.0	6.0	6.0	6.0	5.0	5.0
Sea County Senior & Community Center	7.0	7.0	7.0	8.0	8.0	8.0	8.0	7.0	7.0	8.0
Totals	65.0	66.0	69.6	73.0	75.0	77.0	79.0	83.5	80.0	80.5

Notes: 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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety										
Patrol units	24	24	24	24	24	24	24	24	24	24
Patrol motorcycles	2	2	2	2	2	3	3	3	3	3
Public works										
Street miles	140	140	140	140	140	140	140	140	140	140
Traffic signals	78	79	80	80	80	80	80	80	80	80
Parks and recreation										
Acreage	115	135	135	135	135	135	135	135	135	135
City parks	24	29	29	29	29	29	29	29	29	29
Playgrounds	19	19	19	19	19	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
Baseball/softball diamonds	14	16	16	16	16	16	16	16	16	16
Soccer fields	14	16	16	16	16	16	16	16	16	16
Community centers	2	2	2	2	2	2	2	2	2	2

Notes:

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 Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police priority one response times	4.91	5.18	5.96	5.43	5.05	4.50	5.12	4.33	4.35	*
Fire response times	6.52	6.11	6.13	6.13	6.45	6.15	6.15	6.54	6.03	*
Traffic citations	*	4,748	5,052	5,685	5,663	5,484	5,470	5,286	5,640	*
Parking citations	*	*	*	*	*	*	2,882	2,056	2,301	*
Public works										
Streets miles resurfaced	15.8	11.2	9.1	7.1	11.3	0.8	6.1	22.1	22.0	15.1
Community development										
Permits issued	2,417	2,216	2,685	2,636	2,494	2,764	2,783	2,837	1,992	1,850

Notes:

* Data not available

Sources:

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