

# **CITY OF LAGUNA NIGUEL CALIFORNIA**



## **Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2016**



**CITY OF LAGUNA NIGUEL,  
CALIFORNIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**WITH REPORTS ON AUDIT BY  
INDEPENDENT PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**CITY COUNCIL**

**Laurie Davies, Mayor  
Jerry Slusiewicz, Mayor Pro Tem  
Gary Capata, Council Member  
Elaine Gennawey, Council Member  
Fred Minagar, Council Member**

**CITY MANAGER**

**Rod Foster**

**Prepared by the Department of Finance  
Stephen Erlandson, Director of Finance  
Jarod Nozawa, Finance Manager  
Kristin Nguyen, Senior Accountant**



**City of Laguna Niguel**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2016**

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## CITY of LAGUNA NIGUEL

30111 Crown Valley Parkway • Laguna Niguel, California 92677  
Phone/949•362•4300 Fax/949•362•4340

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December 20, 2016

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

### **LETTER OF TRANSMITTAL 2015-16 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

It is a pleasure to submit the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. 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 The Pun Group, LLP, a firm of licensed certified public accountants. The independent auditor rendered an unmodified (clean) opinion that the City's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

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

### **GENERAL INFORMATION ABOUT LAGUNA NIGUEL**

The City of Laguna Niguel was incorporated on December 1, 1989. The City is a master-planned community encompassing 14.79 square miles in the coastal area of South Orange County, California. As of January 2016, the State of California Department of Finance listed the City's population as 66,142. The City is primarily a residential community supported by a strong retail and commercial base. About one-half 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 ended FY 2015-16 on a positive note with actual revenue exceeding prior year revenue for all major revenue sources. The City’s largest revenue source, property tax, experienced a 6.0% increase over the prior fiscal year, reflecting a strong improvement in the local housing market. Sales tax revenue, the City’s second largest revenue source, experienced an increase of 6.9% over the prior year due primarily to increased strength in the automobile and building/construction sectors. These results contributed to the City completing FY 2015-16 in good financial health. Total General Fund operating revenues exceeded operating expenditures by \$15.4 million. At June 30, 2016, the City had an investment portfolio worth \$81.6 million and healthy reserves of \$57.5 million for economic uncertainty, capital asset replacement, Other Post-Employment Benefits (OPEB), Crown Valley Community Park Master Plan Improvements, and compensable leave, with the remaining balance assigned primarily for continuing appropriations.

Going forward, economic forecast data for the State of California and Orange County predicts that the economy will continue on its current path of a measured and steady recovery with job growth and consumer confidence being the biggest keys to sustained improvement. The State Legislative Analyst (LAO) currently predicts growth in personal income statewide of 5.3% to 6.2% annually over the next three years and annual retail sales growth averaging 2.8%. The LAO is currently forecasting robust annual job growth over next two years, primarily in the San Francisco Bay Area’s technology sector, and foresees that the statewide unemployment rate will fall within the 4.5% to 5.0% range throughout calendar year 2017. California State University, Fullerton, in their most current forecast for Orange County, predicts annual job growth of 2.6% this year and 2.3% percent in 2017, resulting in the creation of 37,700 new jobs countywide this year and 37,000 new jobs in 2017. This expected job growth will drop Orange County’s current average unemployment rate from 4.4% to an average of 4% in 2017. The University further forecasts continued improvement in the housing markets with the median home price expected to rise approximately 6% through the end of 2017.

Locally, the City’s unemployment rate will likely continue to hover around 4.4%, and the City’s growth in property tax revenue, excluding supplemental and miscellaneous property tax revenues, is expected to increase 0.7% in FY 2016-17, compared to the previous year. Sales tax revenue is expected to remain somewhat flat in FY 2016-17 as the City has a very low retail vacancy rate. Retail sales for the period January 2016 through June 2016 are up 2.4% over the same time period in 2015. The City was able to adopt a budget for 2016-17 that maintains all existing service levels and programs and provides \$16.5 million for capital improvements, including \$8.6 million to complete the construction of the Crown Valley Park Channel Entry and Parking Improvements, \$1.4 million to maintain the quality of the streets enhanced by the City’s original \$30 million, five-year Street Resurfacing Program, and \$1.1 million for the construction of landscaped medians and entry monuments.

**State Budget.** On June 27, 2016, the Governor signed the 2016-17 Budget Act. This latest package reflects a significant improvement in the state’s finances and forecasts total reserves of nearly \$8.5 billion, primarily a result of deposits made by the state into its Budget Stabilization Account (BSA), the state’s rainy day reserve created by Proposition 2 during the 2014 mid-term

election. The budget bill provides \$46.2 million in state-mandated local programs; however, it suspended 56 non-education mandates that impact local governments, including mandates related to elections, animal shelters, and interagency child abuse reporting. When the Legislature suspends a mandate or the Governor vetoes its appropriation, (1) local governments are not required to implement its requirements and (2) the state may postpone paying its accumulated bills.

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

#### Crown Valley Community Park Master Plan Improvements

The Crown Valley Community Park Master Plan was developed as the result of numerous meetings of the Crown Valley Park Master Plan Ad-Hoc Committee. With subsequent City Council approval, the Ad-Hoc Committee developed a design concept for the park based on public input through meetings of the Park and Recreation Commission, stakeholder interviews, and surveys conducted of the general population, including the youth of the community. The total cost estimate for the project is about \$31.8 million, with construction of the Tier I projects completed, completion of the construction of the Tier 2 channel entry and parking improvements scheduled for the end of FY 2016-17, and design of the Tier 3 community building currently underway.

#### Annual Street Resurfacing Program

The City embarked on a five-year \$30 million street improvement program during FY 2007-08. This program upgraded or provided necessary maintenance to substantially every residential City street over a five year period. To maintain the City's streets in the enhanced condition resulting from the five-year street improvement program, the City committed to appropriating an additional \$1.4 million in FY 2016-17 for annual street resurfacing.

#### Landscaped Medians and Monuments

This project will construct medians on Aliso Creek and La Paz Roads, construct 9 entry monuments throughout the City, calm traffic, and beautify roadways at an estimated cost of \$1.1 million through FY 2017-18.

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

## **SUMMARY OF CURRENT YEAR ACCOMPLISHMENTS**

### Administration

During FY 2015-16, the City Team:

- Coordinated with the Crown Valley Community Park Ad-Hoc Committee on the implementation of Phase 2 improvements and design of Phase 3 improvements at Crown Valley Community Park
- Collaborated on the strategic planning for the County Courthouse property
- Reviewed and evaluated contract administration and procurement procedures
- 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, 2015

### Public Safety

The City and the Orange County Sheriff's Department believe in providing programs that proactively promote a safe City, as well as maintaining the quality of life expected by the citizens of Laguna Niguel. As such, the community and law enforcement relationship is further strengthened with the delivery of the following programs and accomplishments in FY 2015-16:

- Added 2 positions and reduced overtime to pay for those positions
- 20<sup>th</sup> Annual Citizen's Academy
- 6<sup>th</sup> Annual National Night Out
- Citizen's Emergency Preparedness Academy (CEPA)
- Youth Safety/Drug Awareness Program
- Senior Safety and Crime Prevention Programs

### Community and Economic Development

During FY 2015-16, 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:

- Completing the FY 2016-17 Community Development Block Grant (CDBG) Action Plan
- Collaborated with the development community to potentially construct new hotels and restaurants as part of the City's goal to continually enhance our outstanding quality of life

### Public Works and Infrastructure

The City completed \$10.6 million of public works and infrastructure investment during FY 2015-16, including:

- Paseo De Colinas Bridge Seismic Retrofit Project
- Pavement Rehabilitation and Subdrain Improvements
- Citywide Street Resurfacing Program

## Parks and Recreation

During FY 2015-16 the City:

- Provided scheduled activities to approximately 69,000 participants
- Coordinated the Annual Holiday Parade, with approximately 10,000 people in attendance

## **FUTURE WORK PROGRAM INITIATIVES**

Many of the City's priorities, projects, and programs will be continued throughout FY 2016-17. Work Program highlights include:

- Appointing a Mayor and Mayor Pro Tem for 2017
- Collaborating with the Council, City Manager, and Community Development Department on the strategic planning for the County Courthouse property
- Providing quarterly "Laguna Niguel Disaster Ready" programs for Laguna Niguel residents
- Continuing efforts related to the Laguna Niguel Gateway Specific Plan, including installation of the first phase of the monument and directional signs
- Preparing funding application(s) for Measure M2 street and environmental projects
- Collaborating with the Council, City Manager, Community Development, Parks and Recreation, and Public Works Departments on the implementation of the Phase 2 and Phase 3 recreation improvements at Crown Valley Park

## **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, 2015. This was the 16<sup>th</sup> consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA for award consideration.

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

Respectfully submitted:



Rod Foster  
City Manager



Stephen Erlandson  
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Laguna Niguel  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

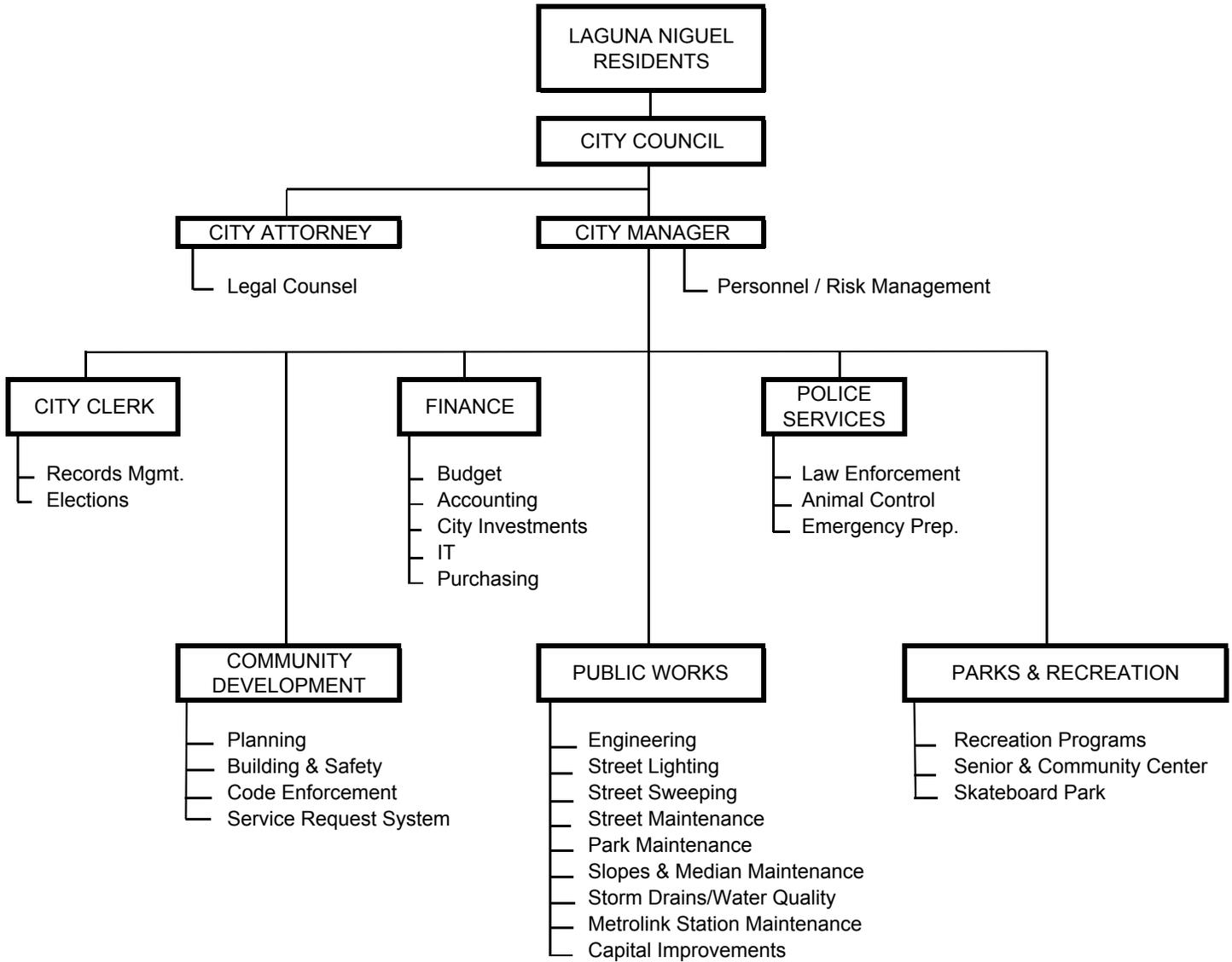
**June 30, 2015**

Executive Director/CEO

CITY OF LAGUNA NIGUEL

ORGANIZATIONAL CHART  
JUNE 30, 2016

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**CITY OF LAGUNA NIGUEL**

**ELECTED OFFICIALS AND MANAGEMENT STAFF  
JUNE 30, 2016**

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**CITY COUNCIL**

Laurie Davies, Mayor  
Jerry Slusiewicz, Mayor Pro Tem  
Gary Capata, Council Member  
Elaine Gennawey, Council Member  
Fred Minagar, Council Member

**DEPARTMENT DIRECTORS**

City Manager ..... Rod Foster  
Assistant City Manager ..... Dan Fox  
City Attorney ..... Terry Dixon  
City Clerk ..... Eileen Gomez  
Chief of Police Services (O.C. Sheriff Department) ..... Lt. Matthew Barr  
Community Development Director ..... Vacant  
Finance Director ..... Stephen Erlandson  
Parks and Recreation Director ..... Alison Giglio  
Public Works Director ..... Nasser Abbaszadeh



## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Laguna Niguel, California (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Proportionate Share of the Net Pension Liabilities and Related Ratios, and the Schedule of Contributions on pages 7 to 16 and 79 to 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

To the Honorable Mayor and Members of the City Council  
of the City of Laguna Niguel  
Laguna Niguel, California  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 8, 2016

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditors' Report**

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

We have audited, in accordance with the 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Members of the City Council  
of the City of Laguna Niguel  
Laguna Niguel, California  
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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 8, 2016

## CITY OF LAGUNA NIGUEL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Laguna Niguel ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. 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 the basic financial statements*. This report also consists of supplementary information in addition to the basic financial statements.

##### **Government-Wide Financial Statements**

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

- *Statement of Net Position*

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

- *Statement of Activities*

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

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and parks and recreation. The City has no business-type activities.

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

##### **Fund Financial Statements**

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

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

## **OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

### ***Fund Financial Statements (Continued)***

- *Governmental Funds*

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

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

The City has nine governmental funds for financial reporting purposes, of which four are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's four major funds are: General Fund, Measure "M" Special Revenue Fund, Miscellaneous Grants Special Revenue Fund, and City Capital Projects Fund. Data from the nonmajor governmental funds (e.g., Gas Tax Fund, Prop 1B Fund, Air Quality Improvement Fund, Law Enforcement Fund, and Community Development Block Grant Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages behind the tab section titled Supplementary Schedules.

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

- *Proprietary Funds*

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

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

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

### ***Notes to the Basic Financial Statements***

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

### ***Required Supplementary Information***

Required supplementary information includes budgetary information on the General Fund, Measure "M" Special Revenue Fund and Miscellaneous Grants Special Revenue Fund, the budget process, the City's share of net pension liability and related ratios, and schedule of pension contributions. Required supplementary information can be found behind the tab section titled Required Supplementary Information.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Supplementary Schedules

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

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

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

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

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$642.9 million. The amount is referred to as the net position of the City. Of this amount, \$77.0 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's overall net position increased in FY 2015-16 by \$11.5 million from FY 2014-15. FY 2015-2016 revenue increased by \$9.1 million due primarily to increases in charges for services, operating and capital contributions and grants, property taxes, sales taxes, and interest earnings. Expenses increased by \$1.9 million compared to FY 2014-2015 levels primarily due to an increase in public safety costs and community development activities. The City's budget for FY 2015-2016 is balanced and on par with actuals reported for the same period.
- At the close of FY 2015-2016, the City's governmental funds reported combined ending fund balances of \$80.5 million, an increase of \$8.7 million compared to the prior year. Of the total \$80.5 million fund balances at year-end, \$78.8 million is available for spending at the government's discretion (the sum of the *committed*, *assigned* and *unassigned* fund balance categories reported on the accompanying financial statements).

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Financial Highlights (Continued)

- As of June 30, 2016, the total fund balance of the General Fund, the City's chief operating fund, totaled \$82.9 million.
- Of the total fund balance of the General Fund at June 30, 2016, the City Council has committed \$29.7 million for capital asset replacement, \$17.9 million for economic contingencies, \$8.9 million for Crown Valley Community Park Master Plan Improvements, \$0.1 million for compensated absences, \$0.9 million for Other Postemployment Benefits (OPEB), and has assigned \$21.3 million for continuing appropriations and \$3.8 million for streets and roads. The remaining amount of fund balance is classified as nonspendable and consists of previously obligated items.

## FINANCIAL PERFORMANCE

### Government-Wide Financial Analysis

The following analysis focuses on the net position and changes in net position of the City's governmental activities presented in the Government-Wide Statement of Net Position and Statement of Activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$642.9 million at June 30, 2016.

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

<b>Governmental Activities</b>			
Net Position at June 30			
(in millions)			
	2016	2015	Increase/ (Decrease) from 2015
Cash and investments	\$ 82.1	\$ 77.9	\$ 4.2
Other assets	9.5	6.6	2.9
Capital assets	565.0	563.2	1.8
<b>Total assets</b>	<b>656.6</b>	<b>647.7</b>	<b>8.9</b>
Deferred pension related items	0.5	0.6	(0.1)
<b>Total deferred outflows of resources</b>	<b>0.5</b>	<b>0.6</b>	<b>(0.1)</b>
Long-term liabilities	6.6	6.5	0.1
Other liabilities	6.5	8.7	(2.2)
<b>Total liabilities</b>	<b>13.1</b>	<b>15.2</b>	<b>(2.1)</b>
Deferred pension related items	1.1	1.6	0.5
<b>Total deferred inflows of resources</b>	<b>1.1</b>	<b>1.6</b>	<b>0.5</b>
<b>Net position:</b>			
Investment in capital assets	564.6	563.2	1.4
Restricted	1.3	0.9	0.4
Unrestricted	77.0	67.3	9.8
<b>Total net position</b>	<b>\$ 642.9</b>	<b>\$ 631.4</b>	<b>\$ 11.5</b>

**FINANCIAL PERFORMANCE (Continued)****Government-Wide Financial Analysis (Continued)**

The City's net position increased by \$11.5 million, or 1.8%, during FY 2015-2016, primarily due to increases in charges for services, operating and capital contributions and grants, property taxes, sales taxes, and interest earnings. The most significant additions to capital assets in FY 2015-2016 pertain to Infrastructure relating to the completion of the Oso Creek Multi-Use Trail Improvements and Salt Creek Trail Enhancement Project, and park improvements relating to the completion of Crown Valley Park Tier 1 Improvements. See the Capital Assets section of the Management's Discussion & Analysis for additional information on capital project asset additions.

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

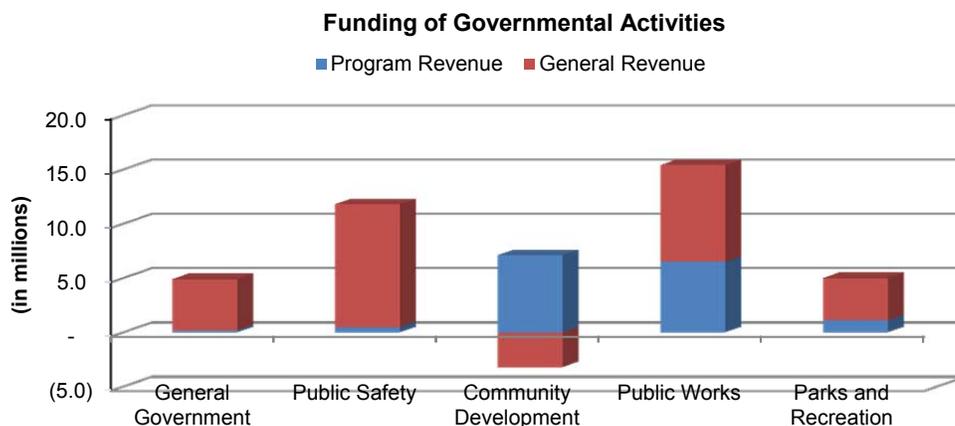
<b>Governmental Activities</b>			
Changes in Net Position for the Year Ended June 30			
(in millions)			
	2016	2015	Increase/ (Decrease) from 2015
Revenues:			
Program revenues:			
Charges for services	\$ 8.6	\$ 3.4	\$ 5.2
Operating contributions and grants	2.9	2.3	0.6
Capital contributions and grants	3.9	2.9	1.0
Total program revenues	15.4	8.6	6.8
General revenues:			
Property taxes	20.0	18.8	1.2
Sales taxes	12.2	11.5	0.7
Other taxes	3.1	3.1	-
Investment earnings	1.4	1.1	0.3
Other revenues	0.5	0.4	0.1
Total general revenues	37.2	34.9	2.3
Total revenues	52.6	43.5	9.1
Program expenses:			
General government	5.0	4.8	0.2
Public safety	11.8	10.9	0.9
Community development	3.9	3.1	0.8
Public works	15.4	11.5	3.9
Parks and recreation	5.0	8.9	(3.9)
Total expenses	41.1	39.2	1.9
Increase in net position	11.5	4.3	7.2
Beginning net position	631.4	632.7	1.3
Restatement of net position	-	(5.6)	(5.6)
Ending net position	\$ 642.9	\$ 631.4	\$ 11.5

**FINANCIAL PERFORMANCE (Continued)**

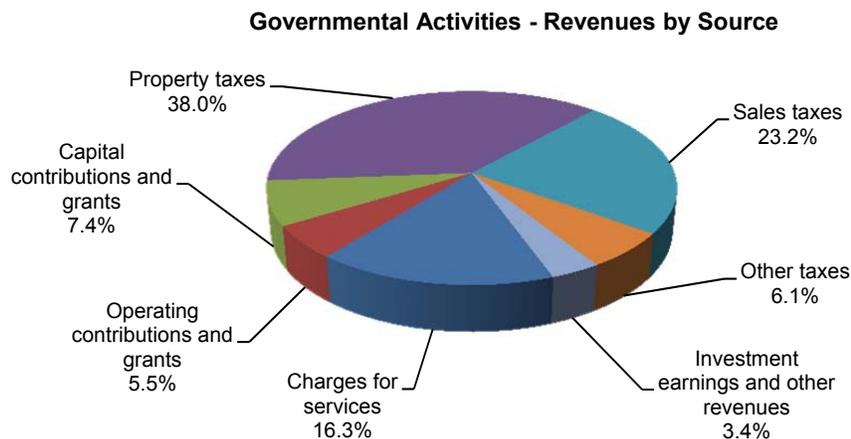
**Government-Wide Financial Analysis (Continued)**

The City's total revenues were \$52.6 million in FY 2015-2016, while the total cost of all programs was \$41.1 million. Total revenues increased by \$9.1 million, or 20.9%, from prior year levels and total expenses increased by \$1.9 million. FY 2015-2016 program revenue increased \$6.8 million from the prior year, a result of higher than average charges for services in community development related to building and safety fees for the residential developments in the Gateway Specific Plan Project area. FY 2015-2016 general revenue increased from the prior year. The \$2.3 million increase is primarily attributable to growth in property tax and sales tax revenues resulting from a healthy housing market and improvement in consumer confidence.

The cost of all governmental activities this year was \$41.1 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was \$35.4 million since some of the cost was paid by those who directly benefited from the programs (\$8.6 million) or by other governments and organizations that subsidized certain programs with contributions and grants (\$6.8 million). The following chart graphically depicts the amount of general revenue used in relation to program revenue in funding governmental activities.



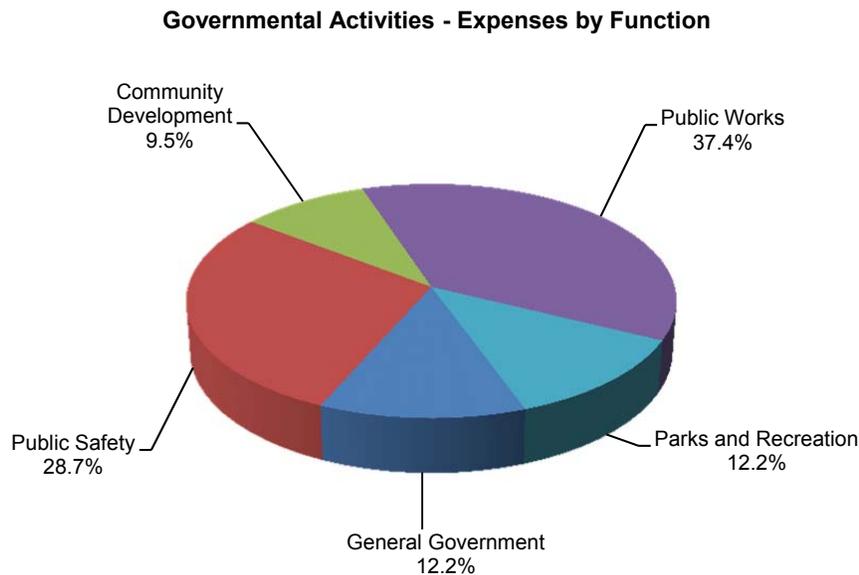
Approximately 67.3% of all revenues this past year came from some form of tax, which is lower than the 76.7% it represented of total revenues in FY 2014-2015. Although tax revenues increased by \$2.0 million, this decrease of its proportion to total revenues is primarily due to the increase in the percentage of charges for services to total City revenue (increased from 7.9% to 16.3%) related to increased planning and building and safety fees collected in the Gateway Project Area. Property tax revenue, the City's largest revenue source, accounted for 37.9% of total City revenue, compared to 43.2% 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 23.3% of total revenues, down from 26.4% last year. The following chart graphically depicts the City's governmental revenue sources.



## FINANCIAL PERFORMANCE (Continued)

### Government-Wide Financial Analysis (Continued)

The Public Works function represents the largest activity in the City, accounting for 37.4% of total expenses in FY 2015-2016, compared to 29.3% last year. Public works expenses include all street maintenance, sweeping, and lighting; median, park, and slope maintenance; storm drain/water quality maintenance; and Metrolink station maintenance. The increase in Public Works expenses in relation to all governmental activities is due to a decrease in the Parks and Recreation expenses from prior year for the various capital improvement projects at the parks. The Parks and Recreation function accounted for 12.2% of total expenses in FY 2015-2016, compared to 22.7% in prior year. Public safety activities comprise the City's second largest function at 28.7%, and include police services, animal control, and emergency preparedness. The majority of public safety costs are for police services provided by the Orange County Sheriff, which were approximately \$10.7 million in FY 2015-2016. The following chart graphically depicts the City's governmental expenses by function.



### Fund Financial Analysis

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

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the sum of committed, assigned, and unassigned fund balance serves as a useful measure of a government's net resources available at its discretion for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a total combined ending fund balance of \$80.5 million, an increase of \$8.7 million, or 12.1%, in comparison with the prior year. Of the total combined ending fund balance, \$78.8 million, or 98.0%, is available for spending at the government's discretion. Of the remaining \$1.6 million, \$0.4 million is classified as nonspendable, indicating that it is not in spendable form and previously obligated, and \$1.2 million is restricted, indicating that its use is constrained by externally imposed limitations to be spent for public safety, public works, community development, and air quality improvement purposes.

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

## FINANCIAL PERFORMANCE (Continued)

### Fund Financial Analysis (Continued)

- General Fund – This fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$82.9 million. General Fund revenues exceeded expenditures this year by \$15.3 million; while the fund balance of the City's General Fund increased by \$9.4 million, or 12.8%, during the current fiscal year due to \$5.9 million in net transfers to the City Capital Projects Fund. These transfers primarily funded the Oso Creek Multi-Use Trail Project, annual street resurfacing, and several of the City's neighborhood parks.
- Measure "M" Special Revenue Fund – This fund accounts for revenues received and expenditures made for street improvements and maintenance funded by Measure M monies from the Orange County Transportation Authority (OCTA). The funding accounted for in this fund are predominantly reimbursement grants, for which the City first incurs the expenditures and then requests reimbursements from OCTA. As a result, this fund sometimes reports a deficit fund balance, representing grant-related disbursements not yet reimbursed. Most of the grants accounted for in this fund are capital grants, the disbursements for which are recorded as transfers out to the City Capital Projects Fund. During the current fiscal year, revenues were \$1.1 million compared to transfers out of \$2.6 million. As a result, there is a deficit fund balance, as fund balance decreased by \$1.5 million, from (\$1.0) million to (\$2.5) million. The City expects to receive the \$2.5 million in grant reimbursements during the next fiscal year. The key factors for this decrease in fund balance were project costs pertaining to the CVCB Channel Entry and Parking Improvements, Crown Valley Median Runoff Elimination Project, and Oso Creek Multi-Use Trail Project.
- Miscellaneous Grants Special Revenue Fund – This fund accounts for revenues received and expenditures made for various City projects fully or partially funded by outside grants. Funding sources include, but are not limited to, the State of California. The grants accounted for in this fund are predominantly reimbursement grants, for which the City first incurs the expenditures and then requests reimbursements from the grantors. As a result, this fund often reports a deficit fund balance, representing grant-related disbursements not yet reimbursed. Most of the grants accounted for in this fund are capital grants, the disbursements for which are recorded as transfers out to the City Capital Projects Fund. During the current fiscal year, revenues were \$2.7 million compared to expenditures and transfers out of \$2.4 million. As a result, the deficit fund balance increased by \$0.3 million, from (\$1.6) million to (\$1.3) million. The City expects to receive the \$1.3 million in grant reimbursements over the course of the next fiscal year. The key factor for this increase was that the City received significant amounts of reimbursements for prior years' costs during FY 2015-2016, as well as revenues for a large portion of current year expenditures on the Paseo de Colinas Seismic Retrofit Project and Oso Creek Multi-Use Trail Project.
- City Capital Projects Fund – This fund accounts for all expenditures relating to City capital projects. Revenues and transfers into the fund generally equal actual expenditures on capital projects; therefore, this fund usually reflects minimal fund balance at the end of the year. Total expenditures were \$10.6 million and subsequent transfers into the fund were \$10.8 million for the current fiscal year, a decrease in expenditures of \$6.2 million from the previous fiscal year. This decrease is primarily due to substantial work that was performed on the following projects in FY 2014-2015: Neighborhood Parks projects, Crown Valley Community Park projects (Tier 1), Salt Creek Corridor Enhancements Project, Annual Street Resurfacing Program, and Crown Valley Median Runoff Elimination Project. Most of these projects were completed in the current year and, therefore, did not have as much expenditures as in prior year. Offsetting these projects' decreases in expenditures were increases in activity in the following projects in FY 2015-2016: Oso Creek Multi-Use Trail Project, Paseo de Colinas Seismic Retrofit Project and Annual Sidewalk Program.

A number of capital projects budgeted in FY 2015-2016 and previous fiscal years were not yet finished at June 30, 2016, the largest being annual street resurfacing, and the Crown Valley Community Park Channel Entry & Parking (Tier 2) Improvements Project. The unexpended appropriations for these unfinished projects totaled \$23.8 million at year-end and were re-appropriated to the same projects by the City Council on June 7, 2016 to ensure their completion.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted General Fund revenue budget for FY 2015-2016 was \$38.4 million. During the course of the year, estimated revenues were increased by a net amount of \$4.1 million, resulting in a final revenue budget of \$42.5 million.

## GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The most significant increases are attributable to:

- \$816,360 of additional property tax revenue from higher than anticipated assessed valuation increases and based on actuals received by mid-year;
- \$316,702 of additional sales and use tax revenue based on actuals received by mid-year;
- \$214,929 of additional property tax in-lieu of vehicle license fees based on actuals received by mid-year;
- \$2,134,608 of traffic impact fees related to the development in the Gateway Project Area.

The original adopted General Fund operating budget for FY 2015-16 was \$33.1 million. During the course of the fiscal year, total General Fund appropriations were increased by \$0.3 million, for a final amended budget of \$33.4 million. The increase was primarily due to \$250,000 in additional appropriations for the replacement of the City's financial core software system.

The original adopted General Fund capital budget was \$8.4 million. The original budget was then modified by \$16.2 million to include carry-over encumbrances and the re-appropriation of previous year appropriations for a total beginning General Fund capital budget of \$24.6 million. The final amended General Fund capital budget totaled \$26.7 million, a net increase of \$2.1 million in mid-year budget adjustments. The amendments were primarily due to additional appropriations of \$2.1 million for the Crown Valley Widening Project – Phase 3 for the additional revenue budgeted from Gateway Project Area traffic impact fees.

Actual operating expenditures for the year were \$3.6 million less than the final operating budget. While some of this variance is due to conservative spending practices during the course of the fiscal year, the City had appropriations encumbered for certain operating programs or projects that were not completed by June 30, 2016. Encumbrances for these uncompleted programs and projects were re-appropriated by the City Council on June 7, 2016 in the amount of \$263,104.

Actual General Fund transfers out to the City Capital Projects Fund to fund capital project expenditures for the year were \$20.8 million less than the final budget due to transfers being recognized as expenditures are incurred. The entire balance of this amount was re-appropriated by the City Council on June 7, 2016 to continue funding the numerous multi-year capital projects previously approved by the City Council. Of this amount, \$11.1 million is for the Annual Street Resurfacing project.

## CAPITAL ASSETS

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

<b>Capital Assets at June 30</b> (net of depreciation) (in millions)			
	2016	2015	Increase/ (Decrease) from 2015
Land	\$ 271.1	\$ 271.1	\$ -
Construction in progress	1.8	14.0	(12.2)
Buildings and improvements	38.6	40.0	(1.4)
Park improvements	13.4	7.8	5.6
Swimming pool	0.6	0.5	0.1
Furniture, equipment and software	0.9	0.6	0.3
Vehicles	0.5	0.1	0.4
Infrastructure	238.0	229.1	8.9
Total	<u>\$ 564.9</u>	<u>\$ 563.2</u>	<u>\$ 1.7</u>

## CAPITAL ASSETS (Continued)

The City's investment in capital assets, net of accumulated depreciation, increased \$1.7 million, or 0.3%, during FY 2015-2016. Significant capital asset events during the fiscal year included:

- Increases in the construction in progress category primarily for the following continuing projects: Crown Valley Community Park Channel Entry & Parking (Tier 2) Improvements;
- Infrastructure additions totaling \$14.0 million primarily related to sub-drain and overlay improvements related to the City's Annual Street Resurfacing Program (\$1.2 million), Crown Valley Median Runoff Elimination Project (\$3.1 million), Salt Creek Corridor Trail (\$1.4 million), Oso Creek Multi-Use Trail (\$4.6 million), and Paseo de Colinas Bridge Seismic Retrofit (\$2.9 million); and
- Park improvement additions totaling \$6.6 million primarily related to the completion of the Crown Valley Community Park Tier 1 Master Plan Improvements Project.

The addition of capital assets was partially offset by total annual depreciation for the current fiscal year in the amount of \$7.1 million. For more information on the City's capital assets, refer to Note 4 of the Notes to the Basic Financial Statements.

## DEBT ADMINISTRATION

As of June 30, 2016, the City had the following outstanding liabilities related to its vehicle leases entered into during FY2015-2016, as well as compensated absences:

<b>Long-Term Liabilities at June 30</b>			
<b>(in millions)</b>			
	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease) from 2015</u>
Capital Leases	\$ 0.4	\$ -	\$ 0.4
Compensated Absences	<u>0.6</u>	<u>0.6</u>	<u>-</u>
Total	<u>\$ 1.0</u>	<u>\$ 0.6</u>	<u>\$ 0.4</u>

For more information on the City's long-term liabilities, refer to Note 6 of the Notes to the Basic Financial Statements.

## NEXT YEAR'S BUDGET

The FY 2016-2017 General Fund budget is \$34.6 million, which is a 4.4% increase from the FY 2015-2016 adopted budget. This increase is primarily attributable to the appropriations for a replacement financial core system, increases in the Orange County Sheriff contract for police services, as well as increases in services and/or costs for Public Works for storm drain video inspections, mitigation monitoring, erosion control, and brickdust and landscape maintenance for the City's parks. General Fund estimated revenues exceed operating budget appropriations by \$4.6 million. The City will use \$9.8 million of General Fund Capital Asset Replacement Reserves primarily to fund the planning, design and construction of the new Crown Valley Park Community Building. As such, the budget provides for a total transfer of \$16.4 million to the City Capital Projects Fund to meet capital needs.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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# **BASIC FINANCIAL STATEMENTS**

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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Laguna Niguel**  
**Statement of Net Position**  
**June 30, 2016**

	<u><b>Total Governmental Activities</b></u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and investments	\$ 81,988,534
Restricted cash	83,367
Receivables:	
Accounts	711,433
Taxes	3,973,445
Interest	167,573
Prepaid items	233,385
Deposits	153,960
Due from other governments	4,327,765
<b>Noncurrent assets:</b>	
Capital assets, not being depreciated	272,898,298
Capital assets, being depreciated, net	292,055,705
<b>Total Assets</b>	<u>656,593,465</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	490,362
<b>Total Deferred Outflows of Resources</b>	<u>490,362</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	3,822,700
Accrued liabilities	257,349
Deposits payable	1,590,574
Retention payable	151,755
Unearned revenue	17,386
Due to other governments	4,500
Lease payable, due within one year	83,408
Compensated absences, due within one year	544,405
<b>Noncurrent liabilities:</b>	
Lease payable, due in more than one year	269,854
Compensated absences, due in more than one year	78,946
Other Postemployment Benefits obligation (Note 11)	1,538,520
Net pension liabilities (Note 10)	4,739,802
<b>Total Liabilities</b>	<u>13,099,199</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows of resources	1,084,458
<b>Total Deferred Inflows of Resources</b>	<u>1,084,458</u>
<b>NET POSITION</b>	
Net investment in capital assets	564,600,741
Restricted for:	
Community development	590,853
Public safety	85,186
Streets	290,728
Air quality improvement	400,601
Unrestricted	76,932,061
<b>Total net position</b>	<u>\$ 642,900,170</u>

See accompanying Notes to the Basic Financial Statements.

**City of Laguna Niguel**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Contributions and Grants	Capital Contributions And Grants	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 5,049,643	\$ 223,747	\$ 24,772	\$ -	\$ 248,519
Public safety	11,778,228	297,386	165,174	-	462,560
Community development	3,903,064	6,931,625	142,035	21,533	7,095,193
Parks and recreation	5,022,013	1,087,258	40	6,400	1,093,698
Public works	15,402,736	18,389	2,585,198	3,875,962	6,479,549
<b>Total Governmental Activities</b>	<b>\$ 41,155,684</b>	<b>\$ 8,558,405</b>	<b>\$ 2,917,219</b>	<b>\$ 3,903,895</b>	<b>\$ 15,379,519</b>

**City of Laguna Niguel**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2016**

	Net (Expenses) Revenues and Changes in Net Position
<b>Functions/Programs</b>	<b>Governmental Activities</b>
<b>Primary Government:</b>	
<b>Governmental Activities:</b>	
General government	\$ (4,801,124)
Public safety	(11,315,668)
Community development	3,192,129
Parks and recreation	(3,928,315)
Public works	(8,923,187)
<b>Total Governmental Activities</b>	<b>(25,776,165)</b>
<b>General Revenues:</b>	
Taxes:	
Property taxes, levied for general purpose	19,965,053
Sales taxes	12,244,172
Franchise taxes	2,519,116
Other taxes	642,043
Total taxes	35,370,384
Motor vehicle in lieu - unrestricted	26,160
Use of money and property	1,372,860
Other	476,168
<b>Total General Revenues</b>	<b>37,245,572</b>
<b>Changes in Net Position</b>	11,469,407
<b>Net Position:</b>	
Beginning of Year	631,430,763
End of Year	<b>\$ 642,900,170</b>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*  
*Proprietary Fund Financial Statements*

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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**General Fund** - The City's primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.

**Measure "M" Special Revenue Fund** - Accounts for revenues received and expenditures made for various City transportation projects fully or partially funded by Orange County Transportation Authority grants and County 1/2 cent local fair share sales tax apportionments.

**Miscellaneous Grants Special Revenue Fund** - Accounts for revenues received and expenditures made for various City projects with funding provided by federal and state grants.

**City Capital Projects Fund** - Accounts for the expenditures relating to the City's individual capital projects.

**Nonmajor Governmental Funds** - To account for the aggregate of all the nonmajor governmental funds.

**City of Laguna Niguel**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	Major Funds			
	General	Special Revenue Funds		Capital Projects Fund
		Measure "M"	Miscellaneous Grants	City Capital Projects
<b>ASSETS</b>				
Cash and investments	\$ 78,541,979	\$ -	\$ -	\$ 1,497,095
Restricted cash	-	-	-	83,367
Receivables:				
Accounts	711,433	-	-	-
Taxes	3,973,445	-	-	-
Interest	167,573	-	-	-
Prepaid items	233,385	-	-	-
Deposits	16,960	-	-	137,000
Due from other governments	217,036	2,780,963	1,216,940	-
Due from other funds	4,166,498	-	-	-
<b>Total assets</b>	<b>\$ 88,028,309</b>	<b>\$ 2,780,963</b>	<b>\$ 1,216,940</b>	<b>\$ 1,717,462</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,582,343	\$ -	\$ 7,741	\$ 840,891
Accrued salaries	257,349	-	-	-
Deposit payable	1,590,574	-	-	-
Due to other governments	-	-	4,500	-
Due to other funds	-	2,684,437	1,434,958	-
Unearned revenue	17,386	-	-	-
Retentions payable	-	-	-	151,755
<b>Total Liabilities</b>	<b>4,447,652</b>	<b>2,684,437</b>	<b>1,447,199</b>	<b>992,646</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	679,687	2,586,253	1,097,938	-
<b>Total Deferred Inflows of Resources</b>	<b>679,687</b>	<b>2,586,253</b>	<b>1,097,938</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	250,345	-	-	137,000
Restricted	-	-	-	587,816
Committed	57,492,610	-	-	-
Assigned	25,158,015	-	-	-
Unassigned (deficit)	-	(2,489,727)	(1,328,197)	-
<b>Total Fund Balances</b>	<b>82,900,970</b>	<b>(2,489,727)</b>	<b>(1,328,197)</b>	<b>724,816</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 88,028,309</b>	<b>\$ 2,780,963</b>	<b>\$ 1,216,940</b>	<b>\$ 1,717,462</b>

**City of Laguna Niguel**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2016**

	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>		
Cash and investments	\$ 1,009,028	\$ 81,048,102
Restricted cash	-	83,367
Receivables:		
Accounts	-	711,433
Taxes	-	3,973,445
Interest	-	167,573
Prepaid items	-	233,385
Deposits	-	153,960
Due from other governments	112,826	4,327,765
Due from other funds	-	4,166,498
<b>Total assets</b>	<b>\$ 1,121,854</b>	<b>\$ 94,865,528</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 391,725	\$ 3,822,700
Accrued salaries	-	257,349
Deposit payable	-	1,590,574
Due to other governments	-	4,500
Due to other funds	47,103	4,166,498
Unearned revenue	-	17,386
Retentions payable	-	151,755
<b>Total Liabilities</b>	<b>438,828</b>	<b>10,010,762</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue	40,341	4,404,219
<b>Total Deferred Inflows of Resources</b>	<b>40,341</b>	<b>4,404,219</b>
<b>Fund Balances:</b>		
Nonspendable:	-	387,345
Restricted	650,271	1,238,087
Committed	-	57,492,610
Assigned	-	25,158,015
Unassigned (deficit)	(7,586)	(3,825,510)
<b>Total Fund Balances</b>	<b>642,685</b>	<b>80,450,547</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,121,854</b>	<b>\$ 94,865,528</b>

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**City of Laguna Niguel**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2016**

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Fund balances of governmental funds	\$	80,450,547
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity (net of \$473,247 reported in the Internal Service Fund).		564,480,756
Long-term liabilities and related deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Pension related deferred outflows of resources	\$	490,362
Compensated absences		(623,351)
Net pension liabilities		(4,739,802)
Other Postemployment Benefits obligation		(1,538,520)
Pension related deferred inflows of resources		(1,084,458)
		<u>(7,495,769)</u>
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		4,404,219
Internal service funds are used by management to charge the costs of certain activities, such as vehicle replacement to individual funds. The assets and liabilities of the internal service fund are reported in the statement of net position.		<u>1,060,417</u>
<b>Net position of governmental activities</b>		<u><u>\$ 642,900,170</u></u>

**City of Laguna Niguel**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Major Funds			
	General	Special Revenue Funds		Capital Projects Fund
		Measure "M"	Miscellaneous Grants	City Capital Projects
<b>REVENUES:</b>				
Taxes	\$ 35,446,201	\$ -	\$ -	\$ -
Licenses and permits	3,548,393	-	-	-
Intergovernmental	101,761	1,084,091	2,704,509	-
Charges for services	4,105,706	-	-	-
Use of money and property	1,360,608	-	723	-
Fines and forfeitures	297,239	-	-	-
Contributions	6,440	-	-	-
Developer participation	-	-	-	366,129
Miscellaneous	476,168	-	-	-
<b>Total revenues</b>	<b>45,342,516</b>	<b>1,084,091</b>	<b>2,705,232</b>	<b>366,129</b>
<b>EXPENDITURES:</b>				
Current:				
General government	4,134,758	-	-	-
Public safety	11,590,200	-	-	-
Community development	3,786,085	-	53,597	-
Parks and recreation	3,386,718	-	-	-
Public works	6,983,848	-	-	-
Capital outlay	186,488	-	-	10,565,569
<b>Total expenditures</b>	<b>30,068,097</b>	<b>-</b>	<b>53,597</b>	<b>10,565,569</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,274,419	1,084,091	2,651,635	(10,199,440)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	10,782,086
Transfers out	(5,879,182)	(2,564,563)	(2,337,485)	-
<b>Total other financing sources (uses)</b>	<b>(5,879,182)</b>	<b>(2,564,563)</b>	<b>(2,337,485)</b>	<b>10,782,086</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,395,237</b>	<b>(1,480,472)</b>	<b>314,150</b>	<b>582,646</b>
<b>Fund Balances:</b>				
Beginning of Year	73,505,733	(1,009,255)	(1,642,347)	142,170
End of Year	<u>\$ 82,900,970</u>	<u>\$ (2,489,727)</u>	<u>\$ (1,328,197)</u>	<u>\$ 724,816</u>

**City of Laguna Niguel**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>		
Taxes	\$ -	\$ 35,446,201
Licenses and permits	-	3,548,393
Intergovernmental	1,699,897	5,590,258
Charges for services	-	4,105,706
Use of money and property	11,531	1,372,862
Fines and forfeitures	-	297,239
Contributions	-	6,440
Developer participation	-	366,129
Miscellaneous	-	476,168
<b>Total revenues</b>	<b>1,711,428</b>	<b>51,209,396</b>
<b>EXPENDITURES:</b>		
Current:		
General government	-	4,134,758
Public safety	137,574	11,727,774
Community development	69,703	3,909,385
Parks and recreation	-	3,386,718
Public works	1,660,364	8,644,212
Capital outlay	-	10,752,057
<b>Total expenditures</b>	<b>1,867,641</b>	<b>42,554,904</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(156,213)	8,654,492
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	20,677	10,802,763
Transfers out	(21,533)	(10,802,763)
<b>Total other financing sources (uses)</b>	<b>(856)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(157,069)</b>	<b>8,654,492</b>
<b>Fund Balances:</b>		
Beginning of Year	799,754	71,796,055
End of Year	\$ 642,685	\$ 80,450,547

**City of Laguna Niguel**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

---

Net change in fund balances - total governmental funds: \$ 8,654,492

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay, net of \$1,655,145 reported as functional expenditures and \$458,211 reported in the Internal Service Fund	\$ 9,096,912	
Depreciation expense, net of \$64,117 reported in the Internal Service Fund	(7,139,647)	
The net effect of disposal of capital assets	<u>(601,390)</u>	1,355,875

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (55,828)

Governmental funds report all contributions in relation to the annual required contribution ("ARC") for OPEB as expenditures; however, in the statement of activities the annual OPEB cost is reported as an expense. (97,257)

Pension 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. 253,414

Revenues reported as unavailable revenue in the governmental funds are recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 1,415,695

Internal service funds are used by management to charge the costs of certain activities, such as vehicle replacement, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities. (56,984)

**Changes in net position of governmental activities** \$ 11,469,407

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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Internal Service Funds account for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

***Vehicle Replacement Internal Service Fund*** - Accounts for interdepartmental operations where it is the stated intent that costs of replacing vehicles to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

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**City of Laguna Niguel**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<b>Governmental Activities - Internal Service Fund</b>
	<b>Vehicle Replacement Fund</b>
<b>ASSETS</b>	
<b>Current:</b>	
Cash and investments	\$ 940,432
<b>Total current assets</b>	940,432
<b>Noncurrent:</b>	
Vehicles - net of accumulated depreciation	473,247
<b>Total Noncurrent Assets</b>	473,247
<b>Total Assets</b>	1,413,679
<b>LIABILITIES</b>	
<b>Current:</b>	
Lease payable, due within one year	83,408
<b>Total current liabilities</b>	83,408
<b>Noncurrent:</b>	
Lease payable, due in more than one year	269,854
<b>Total noncurrent liabilities</b>	269,854
<b>Total liabilities</b>	353,262
<b>NET POSITION</b>	
Net investment in capital assets	119,985
Unrestricted	940,432
<b>Total Net Position</b>	\$ 1,060,417

**City of Laguna Niguel**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

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	<b>Governmental            Activities -            Internal            Service Fund</b>  <b>Vehicle            Replacement Fund</b>
<b>OPERATING EXPENSES:</b>	
Depreciation expense	\$ 64,117
<b>Total Operating Expenses</b>	<u>64,117</u>
Operating Income (Loss)	<u>(64,117)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	12,193
Interest expense related to lease payable	<u>(5,060)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>7,133</u>
<b>CHANGE IN NET POSITION</b>	<u>(56,984)</u>
<b>Net Position:</b>	
Beginning of Year	<u>1,117,401</u>
End of Year	<u><u>\$ 1,060,417</u></u>

**City of Laguna Niguel**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<b>Governmental Activities - Internal Service Fund</b>	<b>Vehicle Replacement Fund</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (76,390)	
Repayment of capital leases	(28,559)	
Interest payment paid for capital lease	(5,060)	
<b>Net cash (used in) capital and related financing activities</b>	<b>(110,009)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received		12,193
<b>Net cash provided by investing activities</b>		<b>12,193</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(97,816)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year		1,038,248
End of year		<b>\$ 940,432</b>
<b>NONCASH ITEMS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Issuance of capital leases		<b>\$ 381,821</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (64,117)	
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>		
Depreciation		64,117
<b>Total Adjustments</b>		<b>64,117</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ -</b>	

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

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**City of Laguna Niguel**  
**Index to Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**City of Laguna Niguel**  
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**For the Year Ended June 30, 2016**

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**City of Laguna Niguel**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

The City 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 (the “primary government”). The City does not include any component units for the fiscal year ended June 30, 2016. Component units are entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete.

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

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

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as revenue until that time.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

*Government-Wide Financial Statements*

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. Governmental activities, which are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The City has no business-type activities or discretely presented component units, and therefore, the statements reflect only activity from governmental activities.

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

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

*Governmental Fund Financial Statements*

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

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

Revenues are recognized when they become “available” and “measureable”. Availability arises when the revenue is available to finance current expenditures to be paid within 60 days. Measurability occurs when the cash flows from the revenue can be reasonably estimated. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, franchise taxes, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

*Governmental Fund Financial Statements (Continued)*

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

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

The City reports the following major governmental funds:

- General Fund - The City’s primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.
- Measure “M” Special Revenue Fund - Accounts for revenues received and expenditures made for various City transportation projects fully or partially funded by Orange County Transportation Authority grants and County 1/2 cent local fair share sales tax apportionments.
- Miscellaneous Grants Special Revenue Fund - Accounts for revenues received and expenditures made for various City projects with funding provided by federal and state grants.
- City Capital Projects Fund - Accounts for the expenditures relating to the City’s individual capital projects.

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

*Proprietary Fund Financial Statements*

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

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

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

*Proprietary Fund Financial Statements (Continued)*

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

The City reports the following proprietary fund:

- Vehicle Replacement Internal Service Fund - Accounts for interdepartmental operations where it is the stated intent that costs of replacing vehicles to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

***C. Cash and Cash Equivalents***

The City's cash comprised of cash on hand and demand deposits with financial institutions.

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.

***D. Investments***

Investments are reported in the accompanying financial statements at 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 the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***E. Fair Value Measurements***

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosure about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

***F. Prepaid Items***

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

***G. 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, furniture and equipment, software, 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 Position as a reduction in the book value of capital assets. Depreciation is reported using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets (Continued)**

The City has assigned the useful lives listed below to capital assets:

Asset Type	Useful Lives (Years)
Curbs, gutters, sidewalks, catch basins, and manholes	100
Streets, street lights, storm drains, tunnels, and bridges	75
Buildings and building improvements	15-45
Swimming pool and improvements	15-25
Park improvements	10-25
Furniture and equipment	3-15
Vehicles	3-10
Software	10

**H. Pension Plans**

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

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of resources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***I. Property Taxes***

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

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

***J. Compensated Absences***

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

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.

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 payments, 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.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**K. Net Position and Fund Balances**

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of the net position.

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

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

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

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

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

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

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**K. Net Position and Fund Balances (Continued)**

**Spending Policy**

*Government-Wide Financial Statements and the Proprietary Fund Financial Statements*

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

*Governmental Fund Financial Statements*

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

- Restricted
- Committed
- Assigned
- Unassigned

**L. Use of Estimates**

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**M. Change in Accounting Principles**

*GASB Statement No. 72, Fair Value Measurement and Application* - This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement became effective for periods beginning after June 15, 2015 and did not have any measurement impact on the City's investment portfolio, except for the additional disclosure regarding measurement input as discussed in Note 3C of the City's financial statements for the year ended June 30, 2016.

*GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**M. Change in Accounting Principles (Continued)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This Statement establishes standards relating to the hierarchy of generally accepted accounting principles. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement became effective for periods beginning after June 15, 2015, is applied retroactively, and did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* - This Statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This Statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This Statement did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

**Note 2 – Stewardship, Compliance and Accountability**

**A. Deficit Fund Balance**

The following funds had a deficit fund balance at June 30, 2016:

Special Revenue funds:	
Measure "M"	\$ (2,489,727)
Miscellaneous Grants	(1,328,197)
Community Development Block Grant	(7,586)

These deficits are primarily the result of unavailable grant revenue at June 30, 2016 and will be eliminated upon receipt of the grant reimbursements in the following fiscal year.

**B. Expenditures in Excess of Appropriations**

The following funds had expenditures in excess of appropriations:

Fund	Appropriations	Expenditures	Excess of Expenditures Over Appropriations
<b>Nonmajor Governmental Funds:</b>			
Gas Tax Special Revenue Fund:			
Public works	\$ 1,444,116	\$ 1,633,690	\$ 189,574

The excess expenditures were covered by sufficient existing fund balance.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 3 – Cash and Investments**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. Certain restricted funds which are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include the deposits held in escrow.

The City had the following cash and investments at June 30, 2016:

	<b>Governmental Activities</b>
Cash and investments	\$ 81,988,534
Restricted cash	83,367
<b>Total cash and investments</b>	<b>\$ 82,071,901</b>

The City's cash and investments at June 30, 2016 in more detail:

<b>Cash and cash equivalents:</b>	
Cash on hand	\$ 3,240
Demand deposits	237,015
Escrow deposits	83,367
Certificate of deposit	59,694
<b>Total cash and cash equivalents</b>	<b>383,316</b>
<b>Investments:</b>	
U.S. Treasury money market mutual fund	47,045
State Local Agency Investment Fund (LAIF)	31,728,173
Orange County Investment Pool (OCIP)	12,387,067
U.S. Treasury Notes	18,294,110
U.S. Government Sponsored Enterprise Securities	19,232,190
<b>Total investments</b>	<b>81,688,585</b>
<b>Total cash and investments</b>	<b>\$ 82,071,901</b>

**A. Demand Deposits**

The carrying amounts of the City's deposits were \$380,076 at June 30, 2016. Bank balances at that date were \$420,767, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Cash and Investments (Continued)**

**A. Demand Deposits (Continued)**

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds deposited in escrow which were required by construction projects. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances.

**B. Investments Authorized by California Government Code and the City's Investment Policy**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investments in One Issuer
U.S Treasury Obligations	5 Years	None	None
U.S. Government Sponsored Enterprise Securities	5 Years	60%	25%
State Local Agency Investment Fund (LAIF)	N/A	55%*	\$40 million*
Insured Certificates of Deposits	5 Years	30%	\$250,000
Insured Money Market Accounts	N/A	None	None
U.S. Treasury Money Market Mutual Funds	N/A	20%	10%
Orange County Investment Pool (OCIP)	N/A	20%*	\$15 million*

N/A - Not Applicable

\* Whichever is less

**C. Fair Value Measurement Disclosure**

At June 30, 2016, investments are reported at fair value. The following table presents the fair value measurements of investments on a recurring basis and the levels with GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2016:

Investment Type	Measurement Inputs			Total
	Level 1	Level 2	N/A	
U.S. Treasury Notes	\$ 18,294,110	\$ -	\$ -	\$ 18,294,110
U.S. Government Sponsored Enterprise Securities	-	19,232,190	-	19,232,190
U.S. Treasury money market mutual fund	-	-	47,045	47,045
OCIP	-	12,387,067	-	12,387,067
LAIF	-	31,728,173	-	31,728,173
<b>Total</b>	<b>\$ 18,294,110</b>	<b>\$ 63,347,430</b>	<b>\$ 47,045</b>	<b>\$ 81,688,585</b>

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Cash and Investments (Continued)**

**D. Risk Disclosures**

Interest Rate Risk

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

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

Investment Type	Remaining Maturity (In Months)			Total
	12 Months or Less	13-24 Months	25-60 Months	
U.S. Treasury Notes	\$ -	\$ 1,000,660	\$ 17,293,450	\$ 18,294,110
U.S. Government Sponsored Enterprise Securities	7,032,350	9,125,330	3,074,510	19,232,190
U.S. Treasury money market mutual funds	47,045	-	-	47,045
OCIP	12,387,067	-	-	12,387,067
LAIF	31,728,173	-	-	31,728,173
<b>Total</b>	<b>\$ 51,194,635</b>	<b>\$ 10,125,990</b>	<b>\$ 20,367,960</b>	<b>\$ 81,688,585</b>

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 fiscal year end for each investment type:

Investment Type	Total as of June 30, 2016	Minimum	Not	
		Legal Rating	AAA	Rated
U.S. Treasury Notes	\$ 18,294,110	N/A	\$ 18,294,110	\$ -
U.S. Government Sponsored Enterprise Securities	19,232,190	N/A	19,232,190	-
U.S. Treasury money market mutual funds	47,045	N/A	47,045	-
OCIP	12,387,067	N/A	-	12,387,067
LAIF	31,728,173	N/A	-	31,728,173
<b>Total</b>	<b>\$ 81,688,585</b>		<b>\$ 37,573,345</b>	<b>\$ 44,115,240</b>

N/A - Not Applicable

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 3 – Cash and Investments (Continued)**

**D. Risk Disclosures (Continued)**

Concentration of Credit Risk

The investment policy of the City contains a limitation on the amount that can be invested in any one issuer of Federal Agency securities to a maximum of 25% of total investments. The City was in compliance with this limitation at June 30, 2016, and throughout the fiscal year.

Investments in any one issuer that represent 5% or more of total City investments at June 30, 2016, are as follows:

Issuer	Investment Type	Reported Amount	Percentage
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$ 6,033,850	7.39%
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	9,152,890	11.20%

Custodial Credit Risk

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

As of June 30, 2016, all of the City's deposits with financial institutions in excess of Federal depository insurance limits were collateralized by an interest in an undivided collateral pool as required by State law. In addition, all investments were held by the third-party safekeeping institution.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 3 – Cash and Investments (Continued)**

***E. 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. The City investments in LAIF at June 30, 2016 included a portion of pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2016, the City had \$31,728,173 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities.

***F. Investment in Orange County Investment Pool***

The City is a voluntary participant in the Orange County Investment Pool ("OCIP") that is regulated by the California Government Code Section 53647 under the oversight of the Treasurer of Orange County (the "County"). OCIP is an external investment pool, is not rated and is not registered with the Securities Exchange Commission ("SEC"). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in OCIP at June 30, 2016, is stated at fair value at the year-end. For further information regarding OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Capital Assets**

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

	Balance July 1, 2015	Additions	Deletions	Reclassification	Balance June 30, 2016
<b>Capital assets, not being depreciated:</b>					
Land	\$ 271,068,667	\$ -	\$ -	\$ -	\$ 271,068,667
Construction in progress	13,963,676	8,885,269	-	(21,019,314)	1,829,631
<b>Total capital assets, not being depreciated</b>	<b>285,032,343</b>	<b>8,885,269</b>	<b>-</b>	<b>(21,019,314)</b>	<b>272,898,298</b>
<b>Capital assets, being depreciated:</b>					
Building and improvements	48,950,653	-	(174,841)	(404,362)	48,371,450
Park improvements	26,185,259	-	-	6,633,325	32,818,584
Swimming pool	2,445,022	-	-	78,584	2,523,606
Furniture and equipment	1,381,515	211,643	-	687,999	2,281,157
Software	346,040	-	-	-	346,040
Vehicles	1,003,161	458,211	-	-	1,461,372
Infrastructure	336,705,025	-	(930,267)	14,023,768	349,798,526
<b>Total capital assets, being depreciated</b>	<b>417,016,675</b>	<b>669,854</b>	<b>(1,105,108)</b>	<b>21,019,314</b>	<b>437,600,735</b>
<b>Less accumulated depreciation for:</b>					
Building and improvements	(8,903,240)	(1,078,694)	135,230	-	(9,846,704)
Park improvements	(18,346,863)	(1,099,948)	-	-	(19,446,811)
Swimming pool	(1,898,770)	(51,343)	-	-	(1,950,113)
Furniture and equipment	(1,104,558)	(328,290)	-	-	(1,432,848)
Software	(25,953)	(34,604)	-	-	(60,557)
Vehicles	(924,008)	(64,117)	-	-	(988,125)
Infrastructure	(107,641,592)	(4,546,768)	368,488	-	(111,819,872)
<b>Total accumulated depreciation</b>	<b>(138,844,984)</b>	<b>(7,203,764)</b>	<b>503,718</b>	<b>-</b>	<b>(145,545,030)</b>
<b>Total capital assets, being depreciated, net</b>	<b>278,171,691</b>	<b>(6,533,910)</b>	<b>(601,390)</b>	<b>21,019,314</b>	<b>292,055,705</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 563,204,034</b>	<b>\$ 2,351,359</b>	<b>\$ (601,390)</b>	<b>\$ -</b>	<b>\$ 564,954,003</b>

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

	Balance July 1, 2015	Additions	Deletions	Reclassification	Balance June 30, 2016
<b>Infrastructure assets:</b>					
Streets	\$ 301,904,527	\$ -	\$ (930,267)	\$ 5,044,916	\$ 306,019,176
Storm drains	20,613,414	-	-	-	20,613,414
Traffic signals	10,318,953	-	-	21,533	10,340,486
Bridges	2,683,091	-	-	2,942,077	5,625,168
Trails	1,185,040	-	-	6,015,242	7,200,282
<b>Total infrastructure assets</b>	<b>336,705,025</b>	<b>-</b>	<b>(930,267)</b>	<b>14,023,768</b>	<b>349,798,526</b>
<b>Less accumulated depreciation for:</b>					
Streets	(92,984,311)	(3,922,018)	368,488	-	(96,537,841)
Storm drains	(8,709,305)	(273,358)	-	-	(8,982,663)
Traffic signals	(3,204,628)	(137,291)	-	-	(3,341,919)
Bridges	(1,494,650)	(93,796)	-	-	(1,588,446)
Trails	(1,248,698)	(120,305)	-	-	(1,369,003)
<b>Total accumulated depreciation</b>	<b>(107,641,592)</b>	<b>(4,546,768)</b>	<b>368,488</b>	<b>-</b>	<b>(111,819,872)</b>
<b>Total infrastructure assets, net</b>	<b>\$ 229,063,433</b>	<b>\$ (4,546,768)</b>	<b>\$ (561,779)</b>	<b>\$ 14,023,768</b>	<b>\$ 237,978,654</b>

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Capital Assets (Continued)**

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

<b>Governmental Activities</b>		
General government	\$	806,290
Public safety		22,531
Community development		27,288
Public works		5,609,364
Parks and recreation		674,174
Internal Service Fund		64,117
<b>Total depreciation expense - governmental activities</b>	<b>\$</b>	<b>7,203,764</b>

**Note 5 – Interfund Activity**

**A. Due From and To Other Funds**

The composition of interfund balances as of June 30, 2016, is as follows:

Due To Other Funds				
Governmental Funds				
Due From Other Funds	Measure "M" Special Revenue Fund	Miscellaneous Grants Special Revenue Fund	Nonmajor Governmental Funds	Total
<b>Governmental Funds:</b>				
General Fund	\$ 2,684,437	\$ 1,434,958	\$ 47,103	\$ 4,166,498

All interfund balances are short-term in nature and are expected to be repaid within one year. The Measure “M” Special Revenue Fund, Miscellaneous Grants Special Revenue Fund, and Community Development Block Grant Special Revenue Fund had negative cash balances at June 30, 2016. These amounts have been reclassified as interfund receivables/payables for financial statement purposes.

**B. Transfers In and Out**

Transfers In			
Governmental Funds			
Transfers Out	City Capital Projects	Nonmajor Governmental Funds	Total
<b>Governmental Funds:</b>			
General Fund	\$ 5,858,505	\$ 20,677	\$ 5,879,182
Measure "M" Special Revenue Fund	2,564,563	-	2,564,563
Miscellaneous Grants Special Revenue Fund	2,337,485	-	2,337,485
Nonmajor Governmental Funds	21,533	-	21,533
	<b>\$ 10,782,086</b>	<b>\$ 20,677</b>	<b>\$ 10,802,763</b>

Transfers from General Fund to Nonmajor Governmental Funds were to fund expenditures originally recorded in nonmajor governmental funds in the amount of \$12,214 that were to be paid by General Fund, and to transfer asset seizure funds originally recorded in General Fund upon receipt that were related to the Law Enforcement Special Revenue Fund in the amount of \$8,463.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 5 – Interfund Activity (Continued)**

**B. Transfers In and Out (Continued)**

The rest of the transfers were related to capital projects. Total capital project transfers were \$10,782,086. The City accounts for all capital projects in a separate fund. These projects are approved through the annual budget process and each project is approved with an identified funding source(s). Most funding sources are identified as the General Fund, with the remainder funded by restricted revenue sources, such as Measure “M”, CDBG and other federal and state grant funding.

**Note 6 – Long-Term Liabilities**

Summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
<b>Governmental Activities:</b>						
Capital leases	\$ -	\$ 381,821	\$ (28,559)	\$ 353,262	\$ 83,408	\$ 269,854
Compensated absences	567,523	552,852	(497,024)	623,351	544,405	78,946
<b>Total governmental activities</b>	<b>\$ 567,523</b>	<b>\$ 934,673</b>	<b>\$ (525,583)</b>	<b>\$ 976,613</b>	<b>\$ 627,813</b>	<b>\$ 348,800</b>

Capital Lease

During the year ended June 30, 2016, the City entered into a lease agreement with Enterprise Fleet Management for vehicle leases.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Assets:	
Vehicles	\$ 381,821
Less: accumulated depreciation	(29,954)
<b>Total</b>	<b>\$ 351,867</b>

The annual debt service requirements outstanding at June 30, 2016 were as follows:

<b>Fiscal Year</b>	<b>Governmental Activities</b>
2017	\$ 89,777
2018	89,777
2019	89,777
2020	89,777
2021	58,005
<b>Subtotal</b>	<b>417,113</b>
<b>Less amount representing interest</b>	<b>(63,851)</b>
<b>Present Value of Future Minimum Lease Payment</b>	<b>\$ 353,262</b>

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 6 – Long-Term Liabilities (Continued)**

Compensated Absences

The City uses General Fund to liquidate the compensated absences liabilities.

**Note 7 – Liability, Property, and Workers’ Compensation Plan**

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

The City of Laguna Niguel is a member of the California Joint Powers Insurance Authority (the “CJPIA”). The CJPIA is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The CJPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**B. Self-Insurance Programs of the Authority**

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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

Liability

In the liability program, claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 7 – Liability, Property, and Workers’ Compensation Plan (Continued)**

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

*Liability (Continued)*

For fiscal year 2015-16, the CJPIA’s pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority’s reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however, it is fully covered under a separate policy and therefore not retained by the Authority.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

*Workers’ Compensation*

In the workers’ compensation program, claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For fiscal year 2015-16, the CJPIA’s pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers’ Compensation Law.

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

***C. Purchased Insurance***

*Pollution Legal Liability Insurance*

The City participates in the pollution legal liability insurance program which is available through the CJPIA. 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, with a \$50,000 deductible. The CJPIA has a limit of \$50 million for the three-year period from July 1, 2014 through July 1, 2017. Each member of the CJPIA has a \$10 million sub-limit during the three-year term of the policy.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 7 – Liability, Property, and Workers’ Compensation Plan (Continued)**

**C. Purchased Insurance (Continued)**

Property Insurance

The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. The City’s property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. The City’s property currently has all-risk property insurance protection in the amount of \$45,947,147. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance, which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

**D. Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2015-16.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Classification of Fund Balance**

Details of the fund balance classifications at June 30, 2016 are as follows:

	General Fund	Measure "M"	Miscellaneous Grants	City Capital Projects	Nonmajor Governmental	Totals
<b>Nonspendable</b>						
Prepaid items	\$ 233,385	\$ -	\$ -	\$ -	\$ -	\$ 233,385
Deposits	16,960	-	-	137,000	-	153,960
Total nonspendable	<u>250,345</u>	<u>-</u>	<u>-</u>	<u>137,000</u>	<u>-</u>	<u>387,345</u>
<b>Restricted</b>						
Community development projects	-	-	-	587,816	-	587,816
Public safety - law enforcement	-	-	-	-	55,468	55,468
Public works - gas tax	-	-	-	-	192,374	192,374
Public works - Prop 1B	-	-	-	-	1,828	1,828
Air quality improvement	-	-	-	-	400,601	400,601
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>587,816</u>	<u>650,271</u>	<u>1,238,087</u>
<b>Committed</b>						
Compensated absences	78,946	-	-	-	-	78,946
Capital asset replacement	29,730,325	-	-	-	-	29,730,325
OPEB	923,112	-	-	-	-	923,112
CVCP master plan improvements	8,865,087	-	-	-	-	8,865,087
Economic uncertainty	17,895,140	-	-	-	-	17,895,140
Total committed	<u>57,492,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,492,610</u>
<b>Assigned</b>						
Continuing appropriations:						
City Clerk	24,950	-	-	-	-	24,950
Finance	1,450	-	-	-	-	1,450
Public safety	11,799	-	-	-	-	11,799
Community development	41,226	-	-	-	-	41,226
Parks and recreation	40,093	-	-	-	-	40,093
Public works	143,586	-	-	-	-	143,586
Capital projects	21,081,484	-	-	-	-	21,081,484
Streets and roads	3,803,949	-	-	-	-	3,803,949
Senior citizen building	9,478	-	-	-	-	9,478
Total assigned	<u>25,158,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,158,015</u>
<b>Unassigned (deficit)</b>	<u>-</u>	<u>(2,489,727)</u>	<u>(1,328,197)</u>	<u>-</u>	<u>(7,586)</u>	<u>(3,825,510)</u>
<b>Total fund balance</b>	<u>\$ 82,900,970</u>	<u>\$ (2,489,727)</u>	<u>\$ (1,328,197)</u>	<u>\$ 724,816</u>	<u>\$ 642,685</u>	<u>\$ 80,450,547</u>

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Jointly Governed Organization**

*Orange County Fire Authority*

In January 1995, the City 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 (“OCFA”). Since the creation of the OCFA, the cities of Laguna Woods, Rancho Santa Margarita, Westminster, Aliso Viejo and Santa Ana joined the OCFA as members eligible for fire protection services. The purpose of the OCFA 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 OCFA’s governing board consists of one representative from each City and two from the County. The operations of the OCFA 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, Westminster and Santa Ana. The County pays all structural fire fees it collects to the OCFA. The cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach, Westminster and Santa Ana are considered “cash contract cities” and accordingly, make cash contributions based on the OCFA’s annual budget. No determination has been made as to each participant’s proportionate share of fund equity as of June 30, 2016. Upon dissolution of the OCFA, all surplus money and property of the OCFA will be conveyed or distributed to each member in proportion to all funds provided to the OCFA by that member or by the County on behalf of that member during its membership. The OCFA financial statements can be obtained from the OCFA at 1 Fire Authority Road, Irvine, CA 92602.

Summarized information of the OCFA for the fiscal year ended June 30, 2016 is as follows:

Total assets	\$ 423,002,563
Total deferred outflows of resources	139,040,544
Total liabilities	686,795,458
Total deferred inflows of resources	35,911,567
<b>Total net position</b>	<b><u>\$ (160,663,918)</u></b>
Total revenues	\$ 357,083,767
Total expenses	<u>361,605,660</u>
<b>Net decrease in net position</b>	<b><u>\$ (4,521,893)</u></b>

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Defined Benefit Pension Plans**

The following is the summary of net pension liabilities and related deferred outflows and inflows of resources as of June 30, 2016:

	<b>Balance June 30, 2016</b>
<b>Deferred outflows of resources:</b>	
Pension contribution after measurement date	\$ 453,422
Differences between expected and actual experience	36,940
<b>Total deferred outflows of resources</b>	<b>\$ 490,362</b>
<b>Net pension liabilities:</b>	
Net pension liabilities	\$ 4,739,802
<b>Total net pension liabilities</b>	<b>\$ 4,739,802</b>
<b>Deferred inflows of resources:</b>	
Changes of assumptions	\$ 349,491
Difference in projected and actual earnings on pension investments	175,205
Adjustment due to differences in proportions	366,499
Employer contributions in excess/(under) proportionate contributions	193,263
<b>Total deferred inflows of resources</b>	<b>\$ 1,084,458</b>

**General Information about the Pension Plan**

*Plan Description*

The City contributes to CalPERS, a cost-sharing multiple-employer defined pension plan, for its' miscellaneous employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

*Employees Covered by Benefit Terms*

At June 30, 2014, the following employees were covered by the benefit terms:

	<b>Plans</b>		
	<b>Miscellaneous</b>		
	<b>Classic Tier 1</b>	<b>Classic Tier 2</b>	<b>PEPRA</b>
Active employees	65	11	11
Transferred and terminated employees	105	2	1
Retired employees and beneficiaries	30	0	0
<b>Total</b>	<b>200</b>	<b>13</b>	<b>12</b>

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Defined Benefit Pension Plans (Continued)**

**General Information about the Pension Plan (Continued)**

*Benefits Provided*

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A first tier classic CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least five years of credited service. A second tier classic CalPERS member becomes eligible for service retirement upon attainment of age 60 with at least five years of credited service. A PEPRAs miscellaneous member becomes eligible for service retirement upon attainment of age 62 with at least five years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 - 36 months of full-time equivalent monthly pay.

The following are the benefit provisions for each plan:

- Classic Tier 1: 2.0% (at age 55) of the average final 12 months compensation.
- Classic Tier 2: 2.0% (at age 60) of the average final 36 months compensation.
- PEPRAs: 2.0% (at age 62) of the average final 36 months compensation.

Participants are eligible for non-industrial disability retirement if they become disabled and have at least five years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s) or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2.0 percent.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Defined Benefit Pension Plans (Continued)**

**General Information about the Pension Plan (Continued)**

*Contributions*

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015, the contribution rates were as follows:

<u>Plans</u>	<u>Active Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Classic Tier 1	7.00%	12.003%
Classic Tier 2	7.00%	8.005%
PEPRA	6.25%	6.25%

**Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

*Actuarial Methods and Assumption Used to Determine Total Pension Liability*

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Long-Term Investment Return	7.65% net of investment expenses, adjust for inflation.
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>1</sup>The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Defined Benefit Pension Plans (Continued)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)**

*Change of Assumption*

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June, 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table in the following page reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Defined Benefit Pension Plans (Continued)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)**

*Discount Rate (Continued)*

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

<sup>1</sup> An expected inflation of 2.5% used

<sup>2</sup> An expected inflation of 3.0% used

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.65%) or one percentage-point higher (8.65%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
\$ 7,948,979	\$ 4,739,802	\$ 2,090,254

*Pension Plan Fiduciary Net Position*

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS' financial report and can be obtained from CalPERS' website under Forms and Publications.

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2014 (Valuation Date)	\$ 26,743,917	\$ 22,205,139	\$ 4,538,778
Balance at June 30, 2015 (Measurement Date)	28,221,087	23,481,285	4,739,802
Net changes from July 1, 2014 to June 30, 2015	\$ 1,477,170	\$ 1,276,146	\$ 201,024

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Defined Benefit Pension Plans (Continued)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)**

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the City’s share of contribution.

The City’s proportionate share of the net pension liability was as follows:

June 30, 2014	0.07294%
June 30, 2015	0.06905%
Change - Increase (Decrease)	-0.00389%

For the year ended June 30, 2016, the City recognized pension expense in the amount of \$200,008.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Defined Benefit Pension Plans (Continued)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)**

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the June 30, 2015 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired).

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contribution made after the measurement date	\$ 453,422	\$ -
Difference between expected and actual experience	36,940	-
Changes of assumptions	-	(349,491)
Net difference between projected and actual earnings on pension plan investments	-	(175,205)
Adjustment due to differences in proportions	-	(366,499)
Employer contributions in excess/(under) proportionated contributions	-	(193,263)
Total	\$ 490,362	\$ (1,084,458)

Deferred outflows of resources related to pensions resulting from the City’s contributions made subsequent to the measurement date in the amount of \$453,422 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	<b>Deferred Outflows/(Inflows) of Resources</b>
June 30	<b>Miscellaneous Plan</b>
2017	\$ (457,331)
2018	(450,198)
2019	(363,941)
2020	223,952
2021	-
Thereafter	-
	\$ (1,047,518)

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 11 – Other Postemployment Benefits**

Plan Descriptions

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

City’s Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. For year ended June 30, 2016, the City contributed \$11,432 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual Other Postemployment Benefit (“OPEB”) cost (expense) for each plan is calculated based on the *Annual Required Contribution of the Employer* (“ARC”), an amount determined based on alternative measurement method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The City’s annual OPEB cost for the current year and the related information for the plan are as follows:

Annual Required Contribution (ARC)	\$ 275,147
Interest Adjustment on Net OPEB Obligation	43,238
Amortization Adjustment to ARC	<u>(209,696)</u>
Annual OPEB Cost	108,689
Contributions Made	<u>(11,432)</u>
Increase in Net OPEB Obligation	97,257
Net OPEB Obligation:	
Beginning of Year	<u>1,441,263</u>
End of Year	<u><u>\$ 1,538,520</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of APC Contributed	Net OPEB (Assets) Obligation
6/30/2014	\$ 259,394	\$ 8,139	3.14%	\$ 1,117,236
6/30/2015	333,255	9,228	2.77%	1,441,263
6/30/2016	108,689	11,432	10.52%	1,538,520

Assumptions for Alternative Measurement Methods

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The City calculates the OPEB obligation based on the alternative measurement method and not through an actuarial valuation due to the limited size of the plan. This method uses an amortization period of 30 years, discount rate of 3.00%, and salary increase of 3.30% to calculate the ARC. This method assumes premium increases of 6.5% every year.

**City of Laguna Niguel**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**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 expenditures disallowances under the terms of the grants, it is believed that any required reimbursements, if any, will not be material.

**Note 13 – Outstanding Commitments**

Prior to the end of the fiscal year, the City awarded several consulting and capital project contracts. At June 30, 2016, the unspent balances of the significant contracts are as follows:

Projects with Outstanding Contracts	Balances
Construction for entry improvements for Tier 2 Entry Improvements at Crown Valley Park	\$ 8,736,169
Citywide Pavement Repair Project	2,868,937
Professional engineering services for the Crown Valley Parkway Westbound Widening I-5 Project	1,362,969
Construction management and inspection services for Tier 2 Entry Improvements at Crown Valley Park	629,823
Street Name Sign and LED Light Replacement Project	436,504
Concept and final PS&E services for the construction of medians and monuments Citywide	202,220
	<u>\$ 14,236,621</u>

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION (UNAUDITED)**

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**City of Laguna Niguel**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

*Budgetary Comparison Schedule - General Fund*

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Taxes	\$ 32,381,307	\$ 34,016,328	\$ 35,446,201	\$ 1,429,873
Licenses and permits	2,838,200	2,976,700	3,548,393	571,693
Intergovernmental	10,300	59,971	101,761	41,790
Charges for services	1,950,269	4,205,537	4,105,706	(99,831)
Use of money and property	916,460	916,460	1,360,608	444,148
Fines and forfeitures	231,000	240,200	297,239	57,039
Contributions	8,575	6,350	6,440	90
Miscellaneous	64,800	95,010	476,168	381,158
<b>Total revenues</b>	<b>38,400,911</b>	<b>42,516,556</b>	<b>45,342,516</b>	<b>2,825,960</b>
<b>EXPENDITURES:</b>				
Current:				
General government	4,908,683	4,908,429	4,134,758	773,671
Public safety	11,783,465	11,783,465	11,590,200	193,265
Community development	3,813,943	3,821,515	3,786,085	35,430
Parks and recreation	3,911,067	3,955,569	3,386,718	568,851
Public works	8,316,413	8,309,525	6,983,848	1,325,677
Capital outlay	402,729	689,424	186,488	502,936
<b>Total expenditures</b>	<b>33,136,300</b>	<b>33,467,927</b>	<b>30,068,097</b>	<b>3,399,830</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,264,611</b>	<b>9,048,629</b>	<b>15,274,419</b>	<b>6,225,790</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(8,399,629)	(10,599,483)	(5,879,182)	4,720,301
<b>Total other financing sources (uses)</b>	<b>(8,399,629)</b>	<b>(10,599,483)</b>	<b>(5,879,182)</b>	<b>4,720,301</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (3,135,018)</b>	<b>\$ (1,550,854)</b>	<b>9,395,237</b>	<b>\$ 10,946,091</b>
<b>FUND BALANCE:</b>				
Beginning of Year			73,505,733	
End of Year			<b>\$ 82,900,970</b>	

**City of Laguna Niguel**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

*Budgetary Comparison Schedule - Measure "M" Special Revenue Fund*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,624,751	\$ 2,012,005	\$ 1,084,091	\$ (927,914)
Use of money and property	1,015	1,015	-	(1,015)
<b>Total revenues</b>	<u>1,625,766</u>	<u>2,013,020</u>	<u>1,084,091</u>	<u>(928,929)</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>1,625,766</u>	<u>2,013,020</u>	<u>1,084,091</u>	<u>(928,929)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(1,625,766)</u>	<u>(2,013,020)</u>	<u>(2,564,563)</u>	<u>(551,543)</u>
<b>Total other financing sources (uses)</b>	<u>(1,625,766)</u>	<u>(2,013,020)</u>	<u>(2,564,563)</u>	<u>(551,543)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,480,472)</u>	<u>\$ (1,480,472)</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>(1,009,255)</u>	
End of Year			<u>\$ (2,489,727)</u>	

**City of Laguna Niguel**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

*Budgetary Comparison Schedule - Miscellaneous Grants Special Revenue Fund*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 994,515	\$ 572,015	\$ 2,704,509	\$ 2,132,494
Use of money and property	213	213	723	510
<b>Total revenues</b>	<u>994,728</u>	<u>572,228</u>	<u>2,705,232</u>	<u>2,133,004</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	<u>72,228</u>	<u>72,228</u>	<u>53,597</u>	<u>18,631</u>
<b>Total expenditures</b>	<u>72,228</u>	<u>72,228</u>	<u>53,597</u>	<u>18,631</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>922,500</u>	<u>500,000</u>	<u>2,651,635</u>	<u>2,114,373</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(922,500)</u>	<u>(500,000)</u>	<u>(2,337,485)</u>	<u>(1,837,485)</u>
<b>Total other financing sources (uses)</b>	<u>(922,500)</u>	<u>(500,000)</u>	<u>(2,337,485)</u>	<u>(1,837,485)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	314,150	<u>\$ 276,888</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>(1,642,347)</u>	
End of Year			<u>\$ (1,328,197)</u>	

**City of Laguna Niguel**  
**Required Supplementary Information (Unaudited)**  
**Notes to the Required Supplementary Information (Unaudited)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Budget Policy and Control**

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

The City Manager is authorized to adjust appropriations between functions within each program (i.e. general government, public safety, public works, community development, parks and recreation and capital outlay), provided that the total appropriations for each program does not exceed the amounts approved in the budget or any amending resolutions. Adjustments to appropriations between programs and funds require City Council approval. Transfers of each 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 the end of the fiscal year. Total appropriations approved for the fiscal year ended June 30, 2016, less prior year carryovers, were \$53,577,692.

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

**City of Laguna Niguel**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2016**

	<u>June 30, 2014<sup>1</sup></u>	<u>June 30, 2015</u>
City's Proportion of the Net Pension Liability/(Asset)	0.07294%	0.06905%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 4,538,778	\$ 4,739,802
City's Covered-Employee Payroll	<u>\$ 5,358,655</u>	<u>\$ 5,256,476</u>
City's Proportionate share of the Net Pension Liability/(Asset) as a percentage of Covered-Employee Payroll	<u>84.70%</u>	<u>90.17%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>83.03%</u>	<u>83.02%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

**Notes to Schedules:**

**Change in Benefit Terms:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

**City of Laguna Niguel**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2016**

	<u>2013-14<sup>1</sup></u>	<u>2014-15</u>	<u>2015-16</u>
Actuarially determined contribution:			
Miscellaneous Tier 1 Plan	\$ 520,739	\$ 496,258	\$ 342,524
Miscellaneous Tier 2 Plan	40,763	52,805	58,843
Miscellaneous PEPRA	<u>10,164</u>	<u>27,511</u>	<u>52,055</u>
Contribution in relation to the actuarially determined contribution	<u>571,666</u>	<u>576,574</u>	<u>453,422</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee payroll <sup>2</sup>	<u>\$ 5,358,655</u>	<u>\$ 5,256,476</u>	<u>\$ 5,508,425</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>10.67%</u>	<u>10.97%</u>	<u>11.03%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

**Notes to Schedule**

**Change in Benefit Terms:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

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# **SUPPLEMENTARY INFORMATION**

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**City of Laguna Niguel**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

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**Special Revenue Funds**

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

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

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

**Law Enforcement Fund** – Accounts for various law enforcement revenues received and expenditures made for certain law enforcement and crime prevention expenditures for Police Services. Funding is provided by the State of California's Citizens' Option for Public Safety ("COPS") program and the Regional Narcotics Suppression Program ("RNSP").

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

**City of Laguna Niguel**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue Funds		
	Gas Tax	Prop 1B	Air Quality Improvement
<b>Assets:</b>			
Cash and investments	\$ 560,818	\$ 1,828	\$ 382,743
Due from the other governments	-	-	22,183
<b>Total assets</b>	<u>\$ 560,818</u>	<u>\$ 1,828</u>	<u>\$ 404,926</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 368,444	\$ -	\$ 4,325
Due to other funds	-	-	-
<b>Total Liabilities</b>	<u>368,444</u>	<u>-</u>	<u>4,325</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Public safety	-	-	-
Public works	192,374	1,828	-
Air quality improvement	-	-	400,601
<b>Unassigned (deficit)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balances</b>	<u>192,374</u>	<u>1,828</u>	<u>400,601</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 560,818</u>	<u>\$ 1,828</u>	<u>\$ 404,926</u>

**City of Laguna Niguel**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Law Enforcement	Community Development Block Grant	
<b>Assets:</b>			
Cash and investments	\$ 63,639	\$ -	\$ 1,009,028
Due from the other governments	29,880	60,763	112,826
<b>Total assets</b>	<b>\$ 93,519</b>	<b>\$ 60,763</b>	<b>\$ 1,121,854</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 8,333	\$ 10,623	\$ 391,725
Due to other funds		47,103	47,103
<b>Total liabilities</b>	<b>8,333</b>	<b>57,726</b>	<b>438,828</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	29,718	10,623	40,341
<b>Total Deferred Inflows of Resources</b>	<b>29,718</b>	<b>10,623</b>	<b>40,341</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Public safety	55,468	-	55,468
Public works	-	-	194,202
Air quality improvement	-	-	400,601
<b>Unassigned (deficit)</b>	<b>-</b>	<b>(7,586)</b>	<b>(7,586)</b>
<b>Total Fund Balances</b>	<b>55,468</b>	<b>(7,586)</b>	<b>642,685</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 93,519</b>	<b>\$ 60,763</b>	<b>\$ 1,121,854</b>

**City of Laguna Niguel**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds		
	Gas Tax	Prop 1B	Air Quality Improvement
<b>REVENUES:</b>			
Intergovernmental	\$ 1,418,634	\$ -	\$ 82,473
Use of money and property	6,142	21	4,547
<b>Total Revenues</b>	<u>1,424,776</u>	<u>21</u>	<u>87,020</u>
<b>EXPENDITURES:</b>			
Current:			
Public safety	-	-	-
Community development	-	-	-
Public works	1,633,690	-	26,674
<b>Total Expenditures</b>	<u>1,633,690</u>	<u>-</u>	<u>26,674</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(208,914)</u>	<u>21</u>	<u>60,346</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	12,214
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>12,214</u>
Net Change in Fund Balances	(208,914)	21	72,560
<b>FUND BALANCE:</b>			
Beginning of Year	401,288	1,807	328,041
End of Year	<u>\$ 192,374</u>	<u>\$ 1,828</u>	<u>\$ 400,601</u>

**City of Laguna Niguel**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Law Enforcement	Community Development Block Grant	
<b>REVENUES:</b>			
Intergovernmental	\$ 116,860	\$ 81,930	\$ 1,699,897
Use of money and property	821	-	11,531
<b>Total Revenues</b>	<b>117,681</b>	<b>81,930</b>	<b>1,711,428</b>
<b>EXPENDITURES:</b>			
Current:			
Public safety	137,574	-	137,574
Community development	-	69,703	69,703
Public works	-	-	1,660,364
<b>Total Expenditures</b>	<b>137,574</b>	<b>69,703</b>	<b>1,867,641</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,893)	12,227	(156,213)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	8,463	-	20,677
Transfers out	-	(21,533)	(21,533)
<b>Total other Financing sources (uses)</b>	<b>8,463</b>	<b>(21,533)</b>	<b>(856)</b>
Net Change in Fund Balance	(11,430)	(9,306)	(157,069)
<b>FUND BALANCE:</b>			
Beginning of Year	66,898	1,720	799,754
End of Year	<u>\$ 55,468</u>	<u>\$ (7,586)</u>	<u>\$ 642,685</u>

**City of Laguna Niguel**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,433,243	\$ 1,443,736	\$ 1,418,634	\$ (25,102)
Use of money and property	380	380	6,142	5,762
<b>Total revenues</b>	<u>1,433,623</u>	<u>1,444,116</u>	<u>1,424,776</u>	<u>(19,340)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,433,623	1,444,116	1,633,690	(189,574)
<b>Total expenditures</b>	<u>1,433,623</u>	<u>1,444,116</u>	<u>1,633,690</u>	<u>(189,574)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(208,914)</u>	<u>(208,914)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(208,914)</u>	<u>\$ (208,914)</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>401,288</u>	
End of Year			<u>\$ 192,374</u>	

**City of Laguna Niguel**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Prop 1B Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ 14	\$ 14	\$ 21	\$ 7
<b>Total revenues</b>	<u>14</u>	<u>14</u>	<u>21</u>	<u>7</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>14</u>	<u>14</u>	<u>21</u>	<u>7</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 14</u>	<u>\$ 14</u>	21	<u>\$ 7</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>1,807</u>	
End of Year			<u>\$ 1,828</u>	

**City of Laguna Niguel**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Air Quality Improvement Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 82,473	\$ 7,473
Use of money and property	2,231	2,231	4,547	2,316
<b>Total revenues</b>	<u>77,231</u>	<u>77,231</u>	<u>87,020</u>	<u>9,789</u>
<b>EXPENDITURES</b>				
Current:				
Public works	77,231	77,231	26,674	50,557
<b>Total expenditures</b>	<u>77,231</u>	<u>77,231</u>	<u>26,674</u>	<u>50,557</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	-	-	60,346	60,346
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	12,214	12,214
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>12,214</u>	<u>12,214</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>72,560</u>	<u>\$ 72,560</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>328,041</u>	
End of Year			<u>\$ 400,601</u>	

**City of Laguna Niguel**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Law Enforcement Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 116,860	\$ 16,860
Use of money and property	309	309	821	512
<b>Total revenues</b>	<u>100,309</u>	<u>100,309</u>	<u>117,681</u>	<u>17,372</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	147,933	147,933	137,574	10,359
<b>Total expenditures</b>	<u>147,933</u>	<u>147,933</u>	<u>137,574</u>	<u>10,359</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(47,624)</u>	<u>(47,624)</u>	<u>(19,893)</u>	<u>27,731</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	8,463	8,463
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>8,463</u>	<u>8,463</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (47,624)</u>	<u>\$ (47,624)</u>	<u>(11,430)</u>	<u>\$ 36,194</u>
<b>FUND BALANCE:</b>				
Beginning of Year			66,898	
End of Year			<u>\$ 55,468</u>	

**City of Laguna Niguel**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 269,169	\$ 269,169	\$ 81,930	\$ (187,239)
<b>Total revenues</b>	<u>269,169</u>	<u>269,169</u>	<u>81,930</u>	<u>(187,239)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	84,323	84,323	69,703	14,620
<b>Total expenditures</b>	<u>84,323</u>	<u>84,323</u>	<u>69,703</u>	<u>14,620</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>184,846</u>	<u>184,846</u>	<u>12,227</u>	<u>(172,619)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(184,846)	(184,846)	(21,533)	163,313
<b>Total other financing sources (uses)</b>	<u>(184,846)</u>	<u>(184,846)</u>	<u>(21,533)</u>	<u>163,313</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(9,306)</u>	<u>\$ (9,306)</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>1,720</u>	
End of Year			<u>\$ (7,586)</u>	

**City of Laguna Niguel**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**City Capital Projects Fund**  
**For the Year Ended June 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Developer participation	\$ -	\$ -	\$ 366,129	\$ 366,129
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>366,129</u>	<u>366,129</u>
<b>EXPENDITURES</b>				
Capital outlay	11,132,741	34,319,965	10,565,569	23,754,396
<b>Total expenditures</b>	<u>11,132,741</u>	<u>34,319,965</u>	<u>10,565,569</u>	<u>23,754,396</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(11,132,741)</u>	<u>(34,319,965)</u>	<u>(10,199,440)</u>	<u>24,120,525</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	11,132,741	13,297,349	10,782,086	(2,515,263)
<b>Total other financing sources (uses)</b>	<u>11,132,741</u>	<u>13,297,349</u>	<u>10,782,086</u>	<u>(2,515,263)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (21,022,616)</u>	582,646	<u>\$ 21,605,262</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>142,170</u>	
End of Year			<u>\$ 724,816</u>	

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**STATISTICAL SECTION  
(UNAUDITED)**

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**City of Laguna Niguel**  
**Statistical Section Overview**  
**(Unaudited)**

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends Information</b> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	102
<b>Revenue Capacity Information</b> - These schedules contain information to help the reader assess the City’s most significant local revenue source, property taxes.	110
<b>Debt Capacity Information</b> -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.	116
<b>Demographic and Economic Information</b> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	119
<b>Operating Information</b> - 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.	122

**City of Laguna Niguel**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities:					
Investment in capital assets	\$ 502,836,175	\$ 506,824,050	\$ 523,617,408	\$ 528,963,587	\$ 545,932,670
Restricted:					
Public safety	\$ 292,802	\$ 254,851	\$ 242,315	\$ 266,768	\$ 265,628
Public works <sup>1</sup>	697,650	556,515	832,601	374,801	-
Streets	-	-	-	-	1,753
Community development	8,802	11,910	13,201	16,319	-
Parks and recreation	207,010	49,902	50,351	50,574	-
Air quality improvement	-	-	-	-	296,113
Total restricted	<u>\$ 1,206,264</u>	<u>\$ 873,178</u>	<u>\$ 1,138,468</u>	<u>\$ 708,462</u>	<u>\$ 563,494</u>
Unrestricted	84,366,296	92,012,756	86,238,908	85,320,021	68,802,806
Total governmental activities net position	<u><u>\$ 588,408,735</u></u>	<u><u>\$ 599,709,984</u></u>	<u><u>\$ 610,994,784</u></u>	<u><u>\$ 614,992,070</u></u>	<u><u>\$ 615,298,970</u></u>

The City does not have any *Business-Type* activities.

Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

<sup>1</sup> Public works was reclassified as Streets in 2011.

**City of Laguna Niguel**  
**Net Position by Component (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2012	2013	2014	2015	2016
Governmental activities:					
Investment in capital assets	\$ 550,198,842	\$ 553,534,310	\$ 555,099,763	\$ 563,204,034	\$ 564,600,741
Restricted:					
Public safety	\$ 279,242	\$ 280,129	\$ 290,147	\$ 66,898	\$ 85,186
Public works <sup>1</sup>	-	-	-	-	-
Streets	856,606	782,342	821,234	403,095	290,728
Community development	15	-	303,007	143,890	590,853
Parks and recreation	-	-	-	-	-
Air quality improvement	295,413	300,312	275,453	328,041	400,601
Total restricted	<u>\$ 1,431,276</u>	<u>\$ 1,362,783</u>	<u>\$ 1,689,841</u>	<u>\$ 941,924</u>	<u>\$ 1,367,368</u>
Unrestricted	68,347,126	72,885,016	75,927,923	67,284,805	76,932,061
Total governmental activities net position	<u><u>\$ 619,977,244</u></u>	<u><u>\$ 627,782,109</u></u>	<u><u>\$ 632,717,527</u></u>	<u><u>\$ 631,430,763</u></u>	<u><u>\$ 642,900,170</u></u>

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<sup>1</sup> Public works was reclassified as Streets in 2011.

**City of Laguna Niguel**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses:					
General government	\$ 3,647,281	\$ 4,025,047	\$ 3,691,205	\$ 3,764,859	\$ 4,033,765
Public safety	8,569,980	9,666,896	9,649,131	9,918,884	10,006,318
Community development	2,651,795	3,068,149	2,808,628	2,810,506	2,762,995
Public works	13,470,142	14,039,913	16,400,713	15,142,252	17,138,184
Parks and recreation	4,541,886	4,546,457	3,239,746	4,181,757	3,841,949
Total expenses	<u>\$ 32,881,084</u>	<u>\$ 35,346,462</u>	<u>\$ 35,789,423</u>	<u>\$ 35,818,258</u>	<u>\$ 37,783,211</u>
Program Revenues:					
Charges for services:					
General government	\$ 4,692	\$ 4,692	\$ 4,692	\$ 4,692	\$ -
Public safety	411,654	469,455	367,029	439,378	375,499
Community development	1,517,476	1,499,456	1,022,861	1,037,657	1,153,439
Public works	301,497	234,525	149,584	251,728	17,950
Parks and recreation	1,136,165	1,039,992	1,027,064	959,966	1,014,934
Operating grants and contributions	3,709,259	4,801,996	3,190,546	2,853,272	3,267,503
Capital grants and contributions	904,773	1,192,587	5,834,702	2,789,723	1,297,942
Total program revenues	<u>7,985,516</u>	<u>9,242,703</u>	<u>\$ 11,596,478</u>	<u>\$ 8,336,416</u>	<u>\$ 7,127,267</u>
Net (expenses)/revenues	<u>\$ (24,895,568)</u>	<u>\$ (26,103,759)</u>	<u>\$ (24,192,945)</u>	<u>\$ (27,481,842)</u>	<u>\$ (30,655,944)</u>
General Revenues:					
Taxes:					
Property taxes	\$ 16,333,325	\$ 17,334,996	\$ 17,453,828	\$ 16,917,258	\$ 16,812,673
Sales taxes	11,018,097	11,222,628	10,279,476	9,406,994	9,673,445
Franchise fees	2,258,166	2,266,240	2,350,145	2,314,813	2,277,125
Other taxes	514,883	369,355	306,998	402,131	387,800
Motor vehicle license fee	357,484	295,283	227,505	197,444	308,560
Use of money and property <sup>1</sup>	4,337,449	5,873,313	4,391,413	1,976,063	1,181,878
Other	378,186	43,193	468,380	264,425	321,363
Total general revenues	<u>\$ 35,197,590</u>	<u>\$ 37,405,008</u>	<u>\$ 35,477,745</u>	<u>\$ 31,479,128</u>	<u>\$ 30,962,844</u>
Changes in net position	<u>\$ 10,302,022</u>	<u>\$ 11,301,249</u>	<u>\$ 11,284,800</u>	<u>\$ 3,997,286</u>	<u>\$ 306,900</u>

The City does not have any *Business-Type* activities.

Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

<sup>1</sup> Use of money and property was called Investment income in years prior to 2011.

**City of Laguna Niguel**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2012	2013	2014	2015	2016
Expenses:					
General government	\$ 4,955,909	\$ 3,883,888	\$ 4,260,378	\$ 4,778,543	\$ 5,049,643
Public safety	9,867,718	9,966,910	10,281,721	10,901,896	11,778,228
Community development	3,970,610	3,034,523	3,427,420	3,125,023	3,903,064
Public works	13,434,792	15,665,527	15,547,420	11,462,151	15,402,736
Parks and recreation	4,088,348	4,001,047	4,140,610	8,928,487	5,022,013
Total expenses	<u>\$ 36,317,377</u>	<u>\$ 36,551,895</u>	<u>\$ 37,657,549</u>	<u>\$ 39,196,100</u>	<u>\$ 41,155,684</u>
Program Revenues:					
Charges for services:					
General government	\$ 3,686	\$ -	\$ -	\$ 10,553	\$ 223,747
Public safety	404,197	232,009	294,535	266,612	297,386
Community development	1,143,063	2,221,118	3,948,178	2,090,366	6,931,625
Public works	218,091	17,304	305	16,997	18,389
Parks and recreation	1,107,502	1,098,177	1,095,355	1,051,430	1,087,258
Operating grants and contributions	3,376,509	5,962,399	3,242,021	2,287,448	2,917,219
Capital grants and contributions	3,848,007	1,308,028	948,880	2,895,963	3,903,895
Total program revenues	<u>\$ 10,101,055</u>	<u>\$ 10,839,035</u>	<u>\$ 9,529,274</u>	<u>\$ 8,619,369</u>	<u>\$ 15,379,519</u>
Net (expenses)/revenues	<u>\$ (26,216,322)</u>	<u>\$ (25,712,860)</u>	<u>\$ (28,128,275)</u>	<u>\$ (30,576,731)</u>	<u>\$ (25,776,165)</u>
General Revenues:					
Taxes:					
Property taxes	\$ 16,820,273	\$ 17,139,167	\$ 17,733,088	\$ 18,840,320	\$ 19,965,053
Sales taxes	11,044,440	10,845,297	11,027,919	11,453,345	12,244,172
Franchise fees	2,320,351	2,301,967	2,368,527	2,518,177	2,519,116
Other taxes	404,659	499,787	526,490	578,597	642,043
Motor vehicle license fee	33,476	34,687	28,707	27,730	26,160
Use of money and property <sup>1</sup>	953,081	542,103	751,894	1,078,795	1,372,860
Other	92,106	2,800,505	627,067	424,658	476,168
Total general revenues	<u>\$ 31,668,386</u>	<u>\$ 34,163,513</u>	<u>\$ 33,063,692</u>	<u>\$ 34,921,622</u>	<u>\$ 37,245,572</u>
Changes in net position	<u>\$ 5,452,064</u>	<u>\$ 8,450,653</u>	<u>\$ 4,935,417</u>	<u>\$ 4,344,891</u>	<u>\$ 11,469,407</u>

The City does not have any *Business-Type* activities.

Therefore, all governmental activities comprise the primary government of the City of Laguna Niguel.

<sup>1</sup> Use of money and property was called Investment income in years prior to 2011.

**City of Laguna Niguel**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2007	2008	2009	2010	2011
General Fund					
Reserved	\$ 2,765,277	\$ 9,229,510	\$ 2,825,279	\$ 15,121,604	\$ -
Unreserved	73,231,017	74,772,758	75,905,913	62,086,055	-
Nonspendable	-	-	-	-	376,900
Committed	-	-	-	-	28,003,766
Assigned	-	-	-	-	26,880,508
Unassigned	-	-	-	-	13,383,939
Total General Fund	<u>\$ 75,996,294</u>	<u>\$ 84,002,268</u>	<u>\$ 78,731,192</u>	<u>\$ 77,207,659</u>	<u>\$ 68,645,113</u>
All other governmental funds					
Reserved	\$ -	\$ 5,235,544	\$ 1,169,155	\$ 528,985	\$ -
Unreserved, reported in:					
Special revenue funds	7,591,281	2,531,025	2,733,677	6,374,454	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	563,494
Unassigned	-	-	-	-	(429,360)
Total all other governmental funds	<u>\$ 7,591,281</u>	<u>\$ 7,766,569</u>	<u>\$ 3,902,832</u>	<u>\$ 6,903,439</u>	<u>\$ 134,134</u>

The City began reporting fund balances of the General Fund and other governmental funds under the following categories upon the implementation of GASB 54 for fiscal year ended June 30, 2011: nonspendable, restricted, committed, assigned and unassigned.

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

**City of Laguna Niguel**  
**Fund Balances of Governmental Funds (Continued)**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	369,631	1,149,113	1,279,616	570,062	250,345
Committed	27,616,266	31,335,413	31,383,297	53,147,941	57,492,610
Assigned	26,900,314	26,625,862	26,859,999	19,787,730	25,158,015
Unassigned	13,381,821	13,734,282	17,581,919	-	-
Total General Fund	<u>\$ 68,268,032</u>	<u>\$ 72,844,670</u>	<u>\$ 77,104,831</u>	<u>\$ 73,505,733</u>	<u>\$ 82,900,970</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	-	-	137,000
Restricted	1,431,276	1,362,783	1,689,841	941,924	1,238,087
Unassigned	(624,687)	(2,766,483)	(3,121,116)	(2,651,602)	(3,825,510)
Total all other governmental funds	<u>\$ 806,589</u>	<u>\$ (1,403,700)</u>	<u>\$ (1,431,275)</u>	<u>\$ (1,709,678)</u>	<u>\$ (2,450,423)</u>

The City began reporting fund balances of the General Fund and other governmental funds under the following categories upon the implementation of GASB 54 for fiscal year ended June 30, 2011: nonspendable, restricted, committed, assigned and unassigned.

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

**City of Laguna Niguel**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Revenues:</b>					
Taxes	\$ 27,991,950	\$ 28,803,731	\$ 28,379,587	\$ 26,475,488	\$ 29,616,877
Licenses and permits <sup>2</sup>	-	-	-	-	1,062,646
Intergovernmental	5,536,498	6,661,794	5,090,654	8,703,015	6,094,250
Charges for services	2,854,763	2,711,824	2,134,061	2,186,186	1,014,934
Franchise fees <sup>1</sup>	2,258,166	2,266,240	2,350,145	2,314,813	-
Use of money and property	4,405,001	5,946,104	4,456,255	2,068,795	1,169,515
Fines and forfeitures	373,594	435,708	344,817	392,873	373,906
Developer participation	-	-	184,779	-	-
Contributions	-	-	-	-	12,070
Miscellaneous	545,400	324,699	413,575	504,205	319,363
Total revenues	<u>43,965,372</u>	<u>47,150,100</u>	<u>43,353,873</u>	<u>42,645,375</u>	<u>39,663,561</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	3,639,172	3,981,079	3,654,397	3,733,894	4,249,263
Public safety	8,534,667	9,574,838	9,593,225	9,902,842	9,973,477
Community development	2,639,226	3,054,213	2,786,817	2,789,357	2,739,393
Public works	7,793,330	8,119,102	8,072,689	7,841,576	7,993,308
Parks and recreation	2,477,203	2,702,555	2,766,397	3,348,365	3,117,227
Capital outlay	13,408,783	11,537,051	25,615,161	13,414,439	26,922,744
<b>Debt service:</b>					
Principal	3,961	-	-	-	-
Interest	40	-	-	-	-
Total expenditures	<u>38,496,382</u>	<u>38,968,838</u>	<u>52,488,686</u>	<u>41,030,473</u>	<u>54,995,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,468,990</u>	<u>8,181,262</u>	<u>(9,134,813)</u>	<u>1,614,902</u>	<u>(15,331,851)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	13,489,803	11,680,228	25,437,407	13,469,346	27,683,833
Transfers out	<u>(13,520,803)</u>	<u>(11,680,228)</u>	<u>(25,437,407)</u>	<u>(13,607,174)</u>	<u>(27,683,833)</u>
Total other financing sources (uses)	<u>(31,000)</u>	<u>-</u>	<u>-</u>	<u>(137,828)</u>	<u>-</u>
Net change in fund balances	<u>\$ 5,437,990</u>	<u>\$ 8,181,262</u>	<u>\$ (9,134,813)</u>	<u>\$ 1,477,074</u>	<u>\$ (15,331,851)</u>
Debt service as a percentage of noncapital expenditures	0.06%	0.01%	0.00%	0.00%	0.00%

<sup>1</sup> Franchise fees included in Taxes beginning in 2011.

<sup>2</sup> Licenses and permits reported as part of Charges for Services in years prior to 2011.

**City of Laguna Niguel**  
**Changes in Fund Balances of Governmental Funds (Continued)**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Revenues:</b>					
Taxes	\$ 30,106,150	\$ 30,729,950	\$ 31,813,371	\$ 33,213,255	\$ 35,446,201
Licenses and permits <sup>2</sup>	1,289,809	2,058,568	3,856,232	1,894,529	3,548,393
Intergovernmental	7,516,035	4,519,055	4,478,944	5,314,331	5,590,258
Charges for services	1,100,414	1,098,177	1,095,474	1,128,334	4,105,706
Franchise fees <sup>1</sup>	-	-	-	-	-
Use of money and property	961,201	539,450	747,079	1,068,984	1,372,862
Fines and forfeitures	374,666	231,309	294,321	266,558	297,239
Developer participation	-	163,250	80,727	185,891	366,129
Contributions	12,155	13,188	9,345	33,960	6,440
Miscellaneous	157,250	2,800,505	597,024	424,658	476,168
Total revenues	<u>41,517,680</u>	<u>42,153,452</u>	<u>42,972,517</u>	<u>43,530,500</u>	<u>51,209,396</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	4,514,765	3,641,524	3,370,414	3,840,177	4,134,758
Public safety	9,813,164	9,962,786	10,264,183	10,869,382	11,727,774
Community development	2,826,647	3,022,599	3,402,203	3,104,828	3,909,385
Public works	8,181,922	8,775,276	8,984,960	9,142,623	8,644,212
Parks and recreation	3,217,560	3,250,443	3,378,029	3,385,205	3,386,718
Capital outlay	12,668,248	11,134,475	9,597,265	16,808,664	10,752,057
<b>Debt service:</b>					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>41,222,306</u>	<u>39,787,103</u>	<u>38,997,054</u>	<u>47,150,879</u>	<u>42,554,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>295,374</u>	<u>2,366,349</u>	<u>3,975,463</u>	<u>(3,620,379)</u>	<u>8,654,492</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	12,708,765	11,009,755	9,785,587	17,179,568	10,802,763
Transfers out	<u>(12,708,765)</u>	<u>(11,009,755)</u>	<u>(9,785,587)</u>	<u>(17,179,568)</u>	<u>(10,802,763)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 295,374</u>	<u>\$ 2,366,349</u>	<u>\$ 3,975,463</u>	<u>\$ (3,620,379)</u>	<u>\$ 8,654,492</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

<sup>1</sup> Franchise fees included in Taxes beginning in 2011.

<sup>2</sup> Licenses and permits reported as part of Charges for Services in years prior to 2011.

**City of Laguna Niguel**  
**Tax Revenues by Source – Governmental Funds**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Fiscal Year	Property Taxes		Sales Taxes		Franchise Fees <sup>1</sup>		Other Taxes <sup>2</sup>		Total	
	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change	Actual	% Change
2007	\$ 16,333,325	10%	\$ 11,018,097	-3%	\$ -	-	\$ 514,883	-36%	\$ 27,866,305	3%
2008	17,334,996	6%	11,222,628	2%	-	-	369,355	-28%	28,926,979	4%
2009	17,453,828	1%	10,279,476	-8%	-	-	306,998	-17%	28,040,302	-3%
2010	16,917,258	-3%	9,406,994	-8%	-	-	402,132	31%	26,726,384	-5%
2011	16,812,673	-1%	9,673,445	3%	2,277,124	n/a	387,800	-4%	29,151,042	9%
2012	16,820,273	0%	11,044,440	14%	2,320,351	2%	397,936	3%	30,583,000	5%
2013	17,139,167	2%	10,845,297	-2%	2,301,967	-1%	499,787	26%	30,786,218	1%
2014	17,733,088	3%	11,027,919	2%	2,368,527	3%	526,490	5%	31,656,023	3%
2015	18,840,320	6%	11,453,345	4%	2,518,177	6%	578,597	10%	33,390,439	5%
2016	19,965,053	6%	12,244,172	7%	2,519,116	0%	642,043	11%	35,370,384	6%
<i>Change</i>										
2007-2016		22%		11%		11%		25%		27%

<sup>1</sup> Franchise Fees included in Taxes beginning in 2011.

<sup>2</sup> Other Taxes includes Real Property Transfer Taxes and Transient Occupancy Taxes.

**City of Laguna Niguel**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

Year	Residential	Commercial	Industrial	Other	Unsecured	Taxable Assessed Value	Total Direct Tax Rate		
							City	LNCSD	Total
2007	\$10,171,126,427	\$510,226,829	\$ 83,704,121	\$443,136,978	\$138,297,884	\$11,346,492,239	0.13463%	0.00000%	0.13463%
2008	10,778,543,263	543,566,388	85,864,384	538,347,363	129,484,621	12,075,806,019	0.13463%	0.00000%	0.13463%
2009	10,843,796,570	553,932,057	87,366,673	597,373,481	143,335,952	12,225,804,733	0.13463%	0.00000%	0.13463%
2010	10,518,498,308	651,650,711	89,240,368	473,981,671	146,266,109	11,879,637,167	0.13463%	0.00000%	0.13463%
2011	11,014,107,392	638,048,664	93,114,560	11,482,330	135,827,926	11,892,580,872	0.13463%	0.00000%	0.13463%
2012	11,117,732,120	638,400,300	94,093,029	11,004,369	130,694,433	11,991,924,251	0.13463%	0.00000%	0.13463%
2013	11,229,883,033	646,458,647	97,332,857	12,725,531	130,417,989	12,116,818,057	0.13463%	0.00000%	0.13463%
2014	11,445,351,932	641,714,733	89,523,605	89,399,329	135,097,159	12,401,086,758	0.13463%	0.00000%	0.13463%
2015	12,227,948,146	709,563,753	104,299,283	84,698,416	144,285,367	13,270,794,965	0.13463%	0.00000%	0.13463%
2016	12,908,323,391	748,131,051	133,378,348	92,189,497	136,727,885	14,018,750,172	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

Source: Orange County Assessor 2006/07 - 2015/16 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			
			Capistrano Unified	Capistrano Valley Water	Laguna Beach Unified	Laguna Beach Unified 2010 GO Refunding
2007	0.13463%	1.00%	0.00947%	0.00000%	0.01720%	0.00000%
2008	0.13463%	1.00%	0.01019%	0.00000%	0.01808%	0.00000%
2009	0.13463%	1.00%	0.00971%	0.00000%	0.01544%	0.00000%
2010	0.13463%	1.00%	0.01077%	0.00000%	0.01683%	0.00000%
2011	0.13463%	1.00%	0.01105%	0.00000%	0.00570%	0.01012%
2012	0.13463%	1.00%	0.01101%	0.00000%	0.01601%	0.00000%
2013	0.13463%	1.00%	0.01171%	0.00000%	0.01694%	0.00000%
2014	0.13463%	1.00%	0.00972%	0.00000%	0.01567%	0.00000%
2015	0.13463%	1.00%	0.00900%	0.00000%	0.01461%	0.00000%
2016	0.13463%	1.00%	0.00845%	0.00000%	0.01396%	0.00000%

*(Continued)*

**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 2006/07 - 2015/16 Tax Rate Tables, through HdL, Coren & Cone

**City of Laguna Niguel**  
**Direct and Overlapping Property Tax Rates (Continued)**  
**Last Ten Fiscal Years**

Year	Overlapping Rates				Total Direct and Overlapping Rates
	Moulton Niguel Water Dist	Saddleback Valley Unified	South Coast Water	Metro Water	
2007	0.09855%	0.03694%	0.00904%	0.00940%	0.18060%
2008	0.07810%	0.02668%	0.00963%	0.00900%	0.15168%
2009	0.10469%	0.02834%	0.00925%	0.00430%	0.17173%
2010	0.14832%	0.03043%	0.00919%	0.00430%	0.21984%
2011	0.12802%	0.03194%	0.00910%	0.00370%	0.19963%
2012	0.11957%	0.03163%	0.00828%	0.00370%	0.19020%
2013	0.12280%	0.03265%	0.00819%	0.00350%	0.19579%
2014	0.10972%	0.03207%	0.00787%	0.00350%	0.17855%
2015	0.06975%	0.02806%	0.00722%	0.00350%	0.13214%
2016	0.06270%	0.03008%	0.00665%	0.00350%	0.12534%

*(Concluded)*

**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 2006/07 - 2015/16 Tax Rate Tables, through HdL, Coren & Cone

**City of Laguna Niguel**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Taxpayer	2016				2007			
	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value	Assessed Value	Estimated Revenue	Rank	% of Total City Taxable Assessed Value
BRE Properties, Inc.	\$ 107,913,884	\$ 145,284	1	0.77%	\$ 67,325,254	\$ 90,640	2	0.59%
Sequoia Equities	83,660,367	112,632	2	0.60%				0.00%
Rancho Niguel Office Partners	49,817,427	67,069	3	0.36%				
Shapell Industries, Inc.	48,247,089	64,955	4	0.34%	66,784,643	89,912	3	0.59%
Costco Wholesale Corporation	48,136,801	64,807	5	0.34%	42,400,196	57,083	4	0.37%
Seaside Meadows Partners	46,864,598	63,094	6	0.33%	41,034,099	55,244	5	0.36%
Laguna Niguel Investors No. 1 & 2 LLC	41,681,195	56,115	7	0.30%	36,139,953	48,655	6	0.32%
BRE California Office Owner LLC	40,002,201	53,855	8	0.29%				
Ocean Ranch II	39,821,025	53,611	9	0.28%	30,171,345	40,620	10	0.27%
FG Laguna Niguel Senior Apt. LP	39,365,343	52,998	10	0.28%				0.00%
Stonebridge Investors Limited					88,826,541	119,587	1	0.78%
EQR Bond Partnership					34,205,062	46,050	7	0.30%
Arden Realty Limited Partnership					33,000,719	44,429	8	0.29%
Pointe Niguel Partners Limited Partnership					32,266,787	43,441	9	0.28%
Total	<u>\$ 545,509,930</u>	<u>\$ 734,420</u>		<u>3.89%</u>	<u>\$472,154,599</u>	<u>\$635,662</u>		<u>4.16%</u>

Source: Orange County Assessor 2006/2007 and 2015/2016 Combined Tax Rolls through HdL, Coren & Cone

**City of Laguna Niguel**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 16,342,200	\$ 15,920,638	97.42%	\$ 175,573	\$ 16,096,211	98.49%
2008	17,563,197	16,987,530	96.72%	289,467	17,276,997	98.37%
2009	17,454,987	16,896,217	96.80%	460,886	17,357,103	99.44%
2010	16,780,290	14,751,943	87.91%	451,782	15,203,725	90.60%
2011	16,816,232	16,448,130	97.81%	288,571	16,736,701	99.53%
2012	16,892,644	16,520,601	97.80%	205,001	16,725,601	99.01%
2013	17,483,577	16,903,941	96.68%	186,450	17,090,392	97.75%
2014	17,830,970	17,556,458	98.46%	135,732	17,692,190	99.22%
2015	18,985,609	18,686,825	98.43%	116,427	18,803,252	99.04%
2016	20,253,052	19,817,313	97.85%	116,490	19,933,803	98.42%

**Notes:**

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

Source: Orange County Auditor Controller Tax Ledgers

**City of Laguna Niguel**  
**Ratio of Outstanding Debt by Type**  
**Governmental Activities**  
**Last Ten Fiscal Years**

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Fiscal Year	Capital Leases	Percentage of Assessed Property Value	Per Capita
2007	\$ -	0.00000%	-
2008	-	0.00000%	-
2009	-	0.00000%	-
2010	-	0.00000%	-
2011	-	0.00000%	-
2012	-	0.00000%	-
2013	-	0.00000%	-
2014	-	0.00000%	-
2015	-	0.00000%	-
2016	353,262	0.00252%	5.34

**Notes:**

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

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

<sup>a</sup> See "Assessed Value of Taxable Property" schedule for assessed property value data. This ratio is calculated using assessed property value for the prior calendar year.

<sup>b</sup> See "Demographic and Economic Statistics" schedule 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, 2016**

2015-2016 Assessed Valuation: \$14,015,646,739

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/16	% Applicable(1)	City's Share of Debt 6/30/16 (2)
Metropolitan Water District	\$ 92,865,000	0.572%	\$ 531,188
Capistrano Unified School District School Facilities Improvement District No. 1	29,882,520	26.528%	7,927,235
Laguna Beach Unified School District	26,090,000	0.021%	5,479
Saddleback Valley Unified School District	117,270,000	0.063%	73,880
Moulton Niguel Water District, Improvement District No. 7	5,285,000	86.741%	4,584,262
South Coast Water District	810,000	6.209%	50,293
City of Laguna Niguel	-	100.000%	-
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 13,172,337</b>
<b>OVERLAPPING GENERAL FUND DEBT:</b>			
Orange County General Fund Obligations	\$ 124,614,000	2.809%	\$ 3,500,407
Orange County Pension Obligation Bonds	353,417,858	2.809%	9,927,508
Orange County Board of Education Certificates of Participation	14,840,000	2.809%	416,856
Capistrano Unified School District Certificates of Participation	15,320,000	18.116%	2,775,371
Moulton Niguel Water District Certificates of Participation	76,045,000	42.743%	32,503,914
Municipal Water District of Orange County Water Facilities Corporation	2,770,000	3.353%	92,878
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 49,216,934</b>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			92,878
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 49,124,056</b>
<b>GROSS COMBINED TOTAL DEBT</b>		(3)	<b>\$ 62,389,271</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 62,296,393</b>

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.  
(2) Amount of debt applicable to citizens residing in Laguna Niguel. This is not City of Laguna Niguel debt.  
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2015-2016 Assessed Valuation:

Direct Debt .....	0.00%
Total Direct and Overlapping Tax and Assessment Debt .....	0.09%
Gross Combined Total Debt .....	0.45%
Net Combined Total Debt .....	0.44%

Source: MuniServices, LLC

**City of Laguna Niguel**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(dollars in thousands)**

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed value	\$	14,018,750
Debt limit (3.75% of assessed value)		525,703
Debt applicable to limit		-
Legal debt margin	\$	525,703

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$425,493	\$452,843	\$458,468	\$445,486	\$445,972	\$449,697	\$454,381	\$465,041	\$497,655	\$525,703
Debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	425,493	452,843	458,468	445,486	445,972	449,697	454,381	465,041	497,655	525,703
Total debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

**Note:**

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

**City of Laguna Niguel**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b> <sup>d</sup>	<b>Personal Income (in thousands)</b> <sup>d</sup>	<b>Per Capita Income</b> <sup>d</sup>	<b>Taxable Sales Per Capita</b> <sup>a</sup>	<b>Registered Voters</b> <sup>c</sup>	<b>Housing Units</b> <sup>e</sup>	<b>Median Home Value</b> <sup>b</sup>	<b>Unemployment Rate</b> <sup>d</sup>
2007	66,058	\$ 3,445,747	\$ 52,162	\$ 16,730	40,454	24,831	\$ 787,500	3.00%
2008	66,522	3,506,042	52,705	16,597	41,472	24,908	556,000	4.10%
2009	67,117	3,423,303	51,005	15,821	42,351	24,982	510,000	7.00%
2010	67,666	3,235,788	47,820	13,531	42,102	25,035	495,000	7.50%
2011	63,228	3,880,866	55,196	16,036	42,996	25,363	515,000	7.20%
2012	63,691	3,172,067	49,804	16,652	41,913	25,374	490,500	6.80%
2013	64,065	3,236,436	50,518	16,989	37,840	25,392	609,000	4.40%
2014	64,460	3,280,305	50,889	17,188	37,431	25,424	652,000	3.90%
2015	64,449	3,215,232	49,888	17,653	37,676	25,456	689,000	5.00%
2016	66,142	3,327,443	50,307	17,724	39,915	25,458	695,000	4.10%

**Notes**

<sup>a</sup> Taxable sales is based upon sales tax revenue reported by the City on the modified accrual basis of accounting.

<sup>b</sup> Median home value includes both single family and condo/townhouse units.

Year 2007 was calculated from information from the OC Assessors office.

Data for years 2008-2011 and 2013-2016 were obtained from HdL.

Data for year 2012 was obtained from CLR Search.

<sup>c</sup> Data for years 2012-2016 were obtained from OC Registrar of Voters.

<sup>d</sup> Data for years 2012-2016 were obtained from HdL, Coren & Cone.

<sup>e</sup> Data for years 2007-2016 were obtained from State Department of Finance/Center for Demographic Research.

Source: State Department of Finance  
HdL, Coren & Cone  
Center for Demographic Research  
Orange County Assessor  
O.C. Registrar of Voters

**City of Laguna Niguel  
Principal Employers  
Current Year and Nine Years Ago**

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Costco Wholesale Corporation	525	1	1.50%	500	2	3.07%
Capistrano Unified School District	509	2	1.45%	245	6	1.50%
Life Time Fitness	332	3	0.95%			
Wal-Mart Stores, Inc.	294	4	0.84%	280	4	1.72%
YMCA	262	5	0.75%			
Mercedes-Benz of Laguna Niguel	215	6	0.61%			
Whole Foods Market	210	7	0.60%			
Home Depot USA, Inc.	200	8	0.57%	400	3	2.45%
Albertsons, Inc.	170	9	0.49%	250	5	1.53%
Moulton Niguel Water District	125	10	0.36%			
County of Orange				1,201	1	7.36%
United States Federal Government				196	7	1.20%
First Team Real Estate, Inc.				140	8	0.86%
State of California				140	9	0.86%
Miguel's Auto Broker				137	10	0.84%
Total	2,842		8.12%	3,489		21.39%

**Note**

Source: MuniServices, LLC for 2016 information / 2007 information from previously published CAFR

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

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>General Government</b>					
City Council	1.0	1.0	1.0	1.0	1.0
City Manager	3.5	4.0	4.0	4.0	4.0
City Clerk	3.5	3.5	2.5	2.5	2.5
Finance	3.5	4.5	4.5	4.5	4.5
<b>Public Safety</b>					
Police Services	1.0	1.0	1.0	1.0	1.0
Emergency Preparedness	0.5	0.5	0.5	0.5	0.5
<b>Community Development</b>					
Administration	3.0	3.0	3.0	3.0	3.0
Planning	9.2	10.2	10.2	9.2	9.2
Building and Safety	2.0	2.0	2.0	2.0	2.0
<b>Public works</b>					
Administration	3.0	3.0	3.0	3.0	3.0
Engineering	7.5	7.5	7.5	7.5	7.0
Median Maintenance	0.4	0.4	0.4	0.4	0.4
Park Maintenance	3.0	3.0	3.0	3.0	3.0
Slope Maintenance	0.6	0.6	0.6	0.6	0.6
City Hall	-	-	-	-	-
<b>Parks and Recreation</b>					
Administration	3.0	3.0	2.5	3.0	3.0
Recreational Programs	10.0	12.0	11.0	11.0	14.0
Aquatics	8.0	9.0	9.0	9.0	9.0
Skateboard Park	6.0	6.0	5.0	5.0	5.0
Sea Country Senior & Community Center	8.0	7.0	7.0	8.0	8.0
Totals	<u>76.7</u>	<u>81.2</u>	<u>77.7</u>	<u>78.2</u>	<u>80.7</u>

**Note:**

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

Source: Finance Department

**City of Laguna Niguel**  
**Full-Time Equivalent City Government Employees by Function / Program (Continued)**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>General Government</b>					
City Council	1.0	1.0	1.0	1.0	0.5
City Manager	4.0	4.0	4.0	4.0	4.5
City Clerk	2.5	2.5	2.5	3.0	2.0
Finance	5.0	5.0	5.0	5.5	7.0
<b>Public Safety</b>					
Police Services	1.0	1.0	1.0	-	2.0
Emergency Preparedness	0.5	0.5	0.5	1.0	1.0
<b>Community Development</b>					
Administration	3.0	3.0	3.0	4.0	2.8
Planning	8.2	8.2	8.2	8.2	9.8
Building and Safety	2.0	2.0	2.0	1.0	1.0
<b>Public works</b>					
Administration	3.0	3.0	3.0	2.0	3.0
Engineering	7.0	8.0	8.0	6.0	8.3
Median Maintenance	-	0.8	0.8	0.8	0.8
Park Maintenance	4.0	3.0	3.0	3.0	2.0
Slope Maintenance	-	0.8	0.8	0.8	0.8
City Hall	-	1.5	1.5	1.5	1.5
<b>Parks and Recreation</b>					
Administration	3.0	3.0	3.0	2.5	4.0
Recreational Programs	11.0	11.0	13.0	11.5	14.0
Aquatics	9.0	7.0	9.0	10.0	10.8
Skateboard Park	4.0	5.0	5.0	5.0	5.5
Sea Country Senior & Community Center	11.0	11.0	12.0	14.0	11.9
Totals	<u>79.2</u>	<u>81.3</u>	<u>86.3</u>	<u>84.8</u>	<u>93.1</u>

**Note:**

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

Source: Finance Department

**City of Laguna Niguel**  
**Capital Asset Statistics by Function / Program**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety: <sup>1</sup>										
Patrol motorcycles	3	3	3	3	3	3	3	3	3	3
PACT units	2	2	2	2	2	2	2	2	2	2
Public Works:										
Street miles	140	140	140	140	140	140	140	140	140	140
Traffic signals	78	78	78	78	78	78	78	78	78	78
Traffic signals - shared	2	2	2	2	2	2	2	2	2	2
Parks and Recreation:										
Acreage	135	135	135	135	135	135	135	135	135	135
City parks	29	29	29	29	29	29	29	29	29	29
Playgrounds	20	20	20	20	20	20	20	20	20	21
Swimming pool	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	16	16	16	16	16	16	16	16	16	16
Soccer fields	16	16	16	16	16	16	16	16	16	16
Community centers	2	2	2	2	2	2	2	2	2	2

**Note**

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

<sup>1</sup> The City contracts with the Orange County Sheriff's Department for its police services. The City does not own the patrol cars used by the County. Therefore, they are not included in this schedule, yet are part of the services provided to achieve the response times and issue the citations included in the "Operating Indicators By Function" schedule.

Sources: Various City departments

**City of Laguna Niguel**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety:										
Police priority one response time (minutes)	5.12	4.33	4.35	4.65	4.78	4.68	6.53	5.95	5.95	5.30
Fire response time (minutes)	6.15	6.54	6.03	6.67	6.40	6.05	6.57	6.12	6.24	6.03
Traffic citations	5,470	5,286	5,640	*	4,033	4,908	3,808	3,936	3,936	2,719
Parking citations	2,882	2,056	2,301	2,207	1,574	1,210	1,207	2,213	2,449	2,975
Community Development:										
Permits issued	2,783	2,837	1,992	1,850	1,988	2,230	2,242	2,914	3,406	3,755
Public Works:										
Streets miles resurfaced	6.1	22.1	22.0	15.1	8.8	30.4	0.2	5.5	12.7	2.7

**Notes:**

\*Data not available

Sources:

- Orange County Fire Authority
- Data Ticket
- Public Works Department
- Community Development Department

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