

CITY OF LAKE FOREST CALIFORNIA



Comprehensive Annual Financial Report

Year Ended June 30, 2010

CITY OF LAKE FOREST, CALIFORNIA

Comprehensive Annual Financial Report

Year Ended June 30, 2010

Prepared by:

Finance Department

Elizabeth E. Andrew

Director of Finance/City Treasurer

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CITY OF LAKE FOREST

Comprehensive Annual Financial Report

Year Ended June 30, 2010

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Mayor
Peter Herzog

Mayor Pro Tem
Richard Dixon

Council Members
Kathryn McCullough
Marcia Rudolph
Mark Tetterer

City Manager
Robert C. Dunek

December 30, 2010

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Lake Forest:

The Comprehensive Annual Financial Report of the City of Lake Forest for the fiscal year ended June 30, 2010, is submitted herewith and this report was prepared by the auditors and the Finance Department.

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 from misstatements.

Mayer Hoffman McCann P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Lake Forest's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Lake Forest ("City"), incorporated on December 20, 1991, is located in southern Orange County, California, in the area commonly referred to as the Saddleback Valley. It currently occupies 16.6 square miles and serves a population of 78,720. It is the County's 31st city and the 2nd largest city within the Saddleback Valley. The City is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City has operated under the council/manager form of government since incorporation. Policy making and legislative authority are vested in a governing council ("Council") consisting of the mayor and four other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve four-year terms, with two or three members elected every two years, respectively. The mayor is appointed by the Council for a one-year term. All members of the Council are elected at large, not by district.



Lake Forest is a "contract city," primarily utilizing agreements with other governmental entities and private firms to provide traditional municipal services to the community. Through this process, the City provides a full range of services, including police protection; construction and maintenance of streets and other infrastructure; community development and redevelopment; and recreational and cultural activities. The County continues to provide library services, independent of the City. Fire services are provided by a joint powers authority, of which the City is a member.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by department and individual capital projects, and funding sources are provided in each area. The manager may transfer resources within and between departments and/or capital projects as long as overall appropriations are not increased and Council notification is required. All other changes to the budget require special approval from the Council.

Local Economy

Major industries located within the City's boundaries include internationally known brand manufacturers of scientific and spectrographic instruments, sunglasses and sports-related goggles, computer hard drives and industrial automation software, hand and power tools, as well as financial institutions, real estate and insurance companies. Included in a broad retail base are major national chain restaurants, general merchandise, home improvement and specialty stores, situated within fourteen separate shopping centers.

Major sources of employment from industries and companies located within the City's boundaries include: sales, office, and administrative support (32%); management, business, and financial operations (22%); professional and related occupations (20%); and services (12%). In addition, companies contributing to the City's tax base are well diversified among general consumer goods, business and industry, restaurants, hotels, and autos/transportation.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. During the last ten years, the unemployment rate rose from an initial low of 2.3% in 2006 to a decade high of 6.6% in 2010 due to the ongoing effects of the recession. Unemployment is expected to stabilize within the next year or so with modest decreases in later years as the economy recovers.

As a result of revitalization efforts, the City's central location, and diversity of businesses, occupancy rates on commercial properties are currently positive when considering the economic climate. Occupancy rates range from 89% for office space to 96% for industrial properties.

During the past ten years, the City's operating expenditures in the General Fund have increased 89%, primarily due to annexations, park additions, and expansion of services and maintenance requirements as the young City matured. In the City's major cost centers, expenditures related to police services and public works increased 94% and 100% respectively. The City has contracted police protection services with the County of Orange since incorporation and the contract represents approximately 40% of the General Fund operating budget. Public works cost increases have also been attributed to the Council's dedication to infrastructure and landscape maintenance and an increase from 19 to 27 public parks over the previous ten year period. In addition, State

requirements in regard to water quality have contributed to increased costs. Other functions in the City have increased in scope and budget on a lesser scale.

During the same ten year period, the City's General Fund operating revenues have grown 18%, with the largest components being property taxes, transient occupancy taxes, franchise fees, and motor vehicle in lieu fees (a majority of which is now backfilled from the State). This net increase includes significant revenue losses during the last few years from the recession and financial market crisis. Revenues are expected to stabilize and increase modestly over the next few years.

Long-term financial planning

Unreserved fund balance in the General Fund (216% of total General Fund revenues) falls well above the reserve policy set by the Council for planning and budgetary purposes (i.e. 40% of General Fund revenues and a \$3 million reserve for disasters).

Every two years, the City's Five Year Strategic Business Plan ("Plan") is updated and approved by the Council. In the current Plan, the Council envisions developing a sports park, recreation center, closing existing gaps on Alton and Rancho Parkways, synchronization of traffic signals, streetscape improvements, and several park renovation projects. Much of the funding for projects will be reimbursed upon new development in future years.

Relevant financial policies

The City has a variety of important financial policies to assist in making sound decisions. These policies are shown below:

1. Investment Policy which is more restrictive than State law
2. Long-Term Financing Policy
3. Purchasing and Contract Guidelines
4. Reserve Policy
5. Carryover Appropriation and Revenue Policy

Major initiatives

The City is currently putting forth efforts on a variety of projects as are shown below:

1. Complete a comprehensive update of the Five-Year Strategic Business Plan.
2. Conduct resident and business satisfaction surveys.
3. Implement Phase IV of the Opportunities Study, focusing on planning efforts for a sports park, recreation center, meeting facility, and civic center.
4. Complete the process to eliminate the current gap in Alton Parkway in coordination with the County of Orange and private property owner.
5. Continue work on streetscape projects on Rockfield Boulevard, El Toro Road, and Jeronimo Road to implement traffic calming measures and to construct new medians and parkways.
6. Synchronize traffic signals throughout the City.
7. Continue implementation of the Revitalization Action Plan in the Light Industrial Area.
8. Develop an economic development strategy to attract new businesses and high quality jobs to the City.
9. Continue implementation of the Five-Year Parks and Recreation Master Plan.

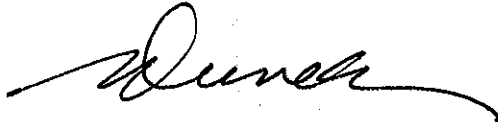
Awards and Acknowledgements

The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2009. This was the seventeenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied 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 GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire Finance Department. We wish to express our appreciation to all members of the City's departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully Submitted,



Robert C. Dunek
City Manager



Elizabeth E. Andrew
Director of Finance/City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Forest
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



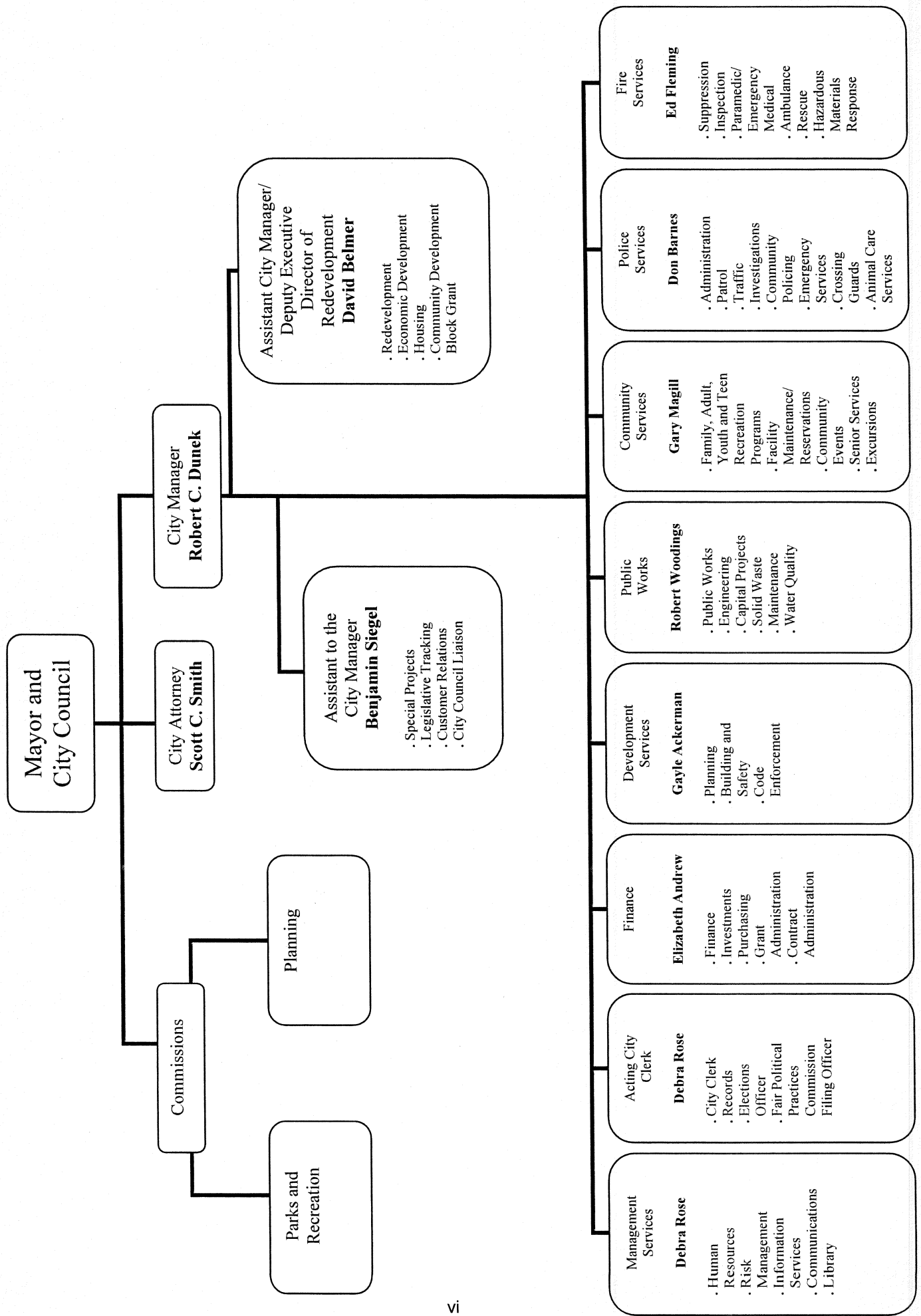
A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

ORGANIZATIONAL CHART



City of Lake Forest

City Officials

City Council

Peter Herzog, Mayor

Richard Dixon, Mayor Pro-Tem

Kathryn McCullough, Council Member

Marcia Rudolph, Council Member

Mark Tetterer, Council Member

City Manager

Robert C. Dunek

Administrative Staff

Gayle Ackerman, Director of Development Services

Elizabeth E. Andrew, Director of Finance/City Treasurer

David Belmer, Assistant City Manager/Deputy Executive Director of Redevelopment

Michael Boyle, Division Chief – Fire Services

Lt. Doug Doyle, Chief of Police Services

Gary Magill, Director of Community Services

Debra Rose, Director of Management Services

Benjamin Siegel, Assistant to the City Manager

Scott C. Smith, City Attorney

Stephanie Smith, City Clerk

Robert Woodings, Director of Public Works/City Engineer

Prepared by the Finance Department

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Honorable Major and City Council
City of Lake Forest, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Forest, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lake Forest. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Lake Forest for the year ended June 30, 2009 and, in our report dated December 21, 2009, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Forest, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis and required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Honorable Major and City Council
City of Lake Forest, California
Page Two

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 fund financial statements, budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman Maslow P.C.

Irvine, California
December 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake Forest ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal Year ended June 30, 2010. It is encouraged that the readers consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements.

Financial Highlights

Government-Wide

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$277.2 million (net assets). Of this amount, \$95.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$2.4 million. This decrease is attributable to expenses being in excess of revenues.
- Total revenues from all sources were \$41.7 million as compared to the cost for all City programs of \$44.1 million.

Further discussion of changes in net assets, revenues, and expenses is included in the Government-wide Financial Analysis section.

Fund Based

- Total governmental fund balances were \$104.9 million and reserved balances were \$3.6 million, resulting in unreserved balances of \$101.3 million. Designations of fund balances, such as amounts set aside primarily for the reserve policy and carryover appropriations, totaled \$49.6 million. Total unreserved, undesignated balances were \$51.7 million.
- Total governmental fund balances decreased by \$3 million. This decrease is attributable to an excess of expenditures as compared to revenues.
- Total governmental revenues from all sources were \$44.2 million as compared to expenditures of \$47.2 million.

Further discussion of revenues and expenditures is included in the Financial Analysis of the Government's Funds section.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. In time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information on how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally-separate Lake Forest Redevelopment Agency (Agency) and the Rancho Cañada Financing Authority (Authority) for which the City is financially accountable. Financial information for the Agency (a component unit) is reported separately from the financial information presented for the primary government itself. The Authority is presented as a non-major fund. The Agency and Authority function for all practical purposes as departments of the City, and, therefore, have been included as an integral part of the primary government. The City does not account for any of its services on a business-type activity basis.

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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Gas Tax, Opportunities Study Area Capital Project, and Redevelopment Agency Debt Service Funds, which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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

Proprietary funds. The City of Lake Forest maintains one type of proprietary fund – 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 maintains one internal service fund to account for the replacement of its fleet of vehicles. Because these services predominantly benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$277.2 million at the close of the most recent fiscal year. By far, the largest portion of the City's net assets (61%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment). There is \$8.9 million in debt outstanding related to the acquisition or construction of these capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table 1
Net Assets
(in millions)

| | <u>Governmental Activities</u> | |
|---|--------------------------------|----------------|
| | <u>2010</u> | <u>2009</u> |
| Current and other assets | \$116.0 | \$117.3 |
| Capital assets | <u>179.1</u> | <u>179.2</u> |
| Total assets | <u>\$295.1</u> | <u>\$296.5</u> |
| Other liabilities | \$9.0 | \$7.9 |
| Long-term debt outstanding | <u>8.9</u> | <u>9.0</u> |
| Total liabilities | <u>\$17.9</u> | <u>\$ 16.9</u> |
| Net assets: | | |
| Invested in capital assets, net of debt | \$170.7 | \$170.9 |
| Restricted | 10.9 | 7.0 |
| Unrestricted | <u>95.6</u> | <u>101.7</u> |
| Total net assets | <u>\$277.2</u> | <u>\$279.6</u> |

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

An additional portion of the City's net assets (4%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of \$95.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets decreased by \$2.4 million during the current fiscal year. Key elements of this decrease are as follows:

Total revenues were \$41.7 million as compared to prior year revenues of \$43.9 million and major contributing revenue variations from the prior year are described below.

- Charges for services increased by \$0.5 million, primarily due to development impact fees for park improvements and fees related to a rezoning project.
- Operating contributions and grants increased by \$0.5 million due to grants funds utilized for street repaving and slurry seal projects.
- Capital contributions and grants increased by \$1.3 million due to grants funds utilized for the Alton Parkway Gap Closure and street rehabilitation projects.
- Tax increment decreased by \$1 million, primarily attributable to a \$1.2 million payment required by the State of California to assist in alleviating a budget deficit.
- Sales and transient occupancy taxes decreased by \$1.5 million and \$0.3 million, respectively, due to the recession and its continuing negative effect on revenues.
- Investment earnings decreased by \$1.4 million in response to continuing declines in interest rates that occurred during the year in response to the financial crisis in late 2008.

Total costs for all City programs were \$44.1 million as compared to prior year costs of \$44.3 million and material variances from the prior year are described below.

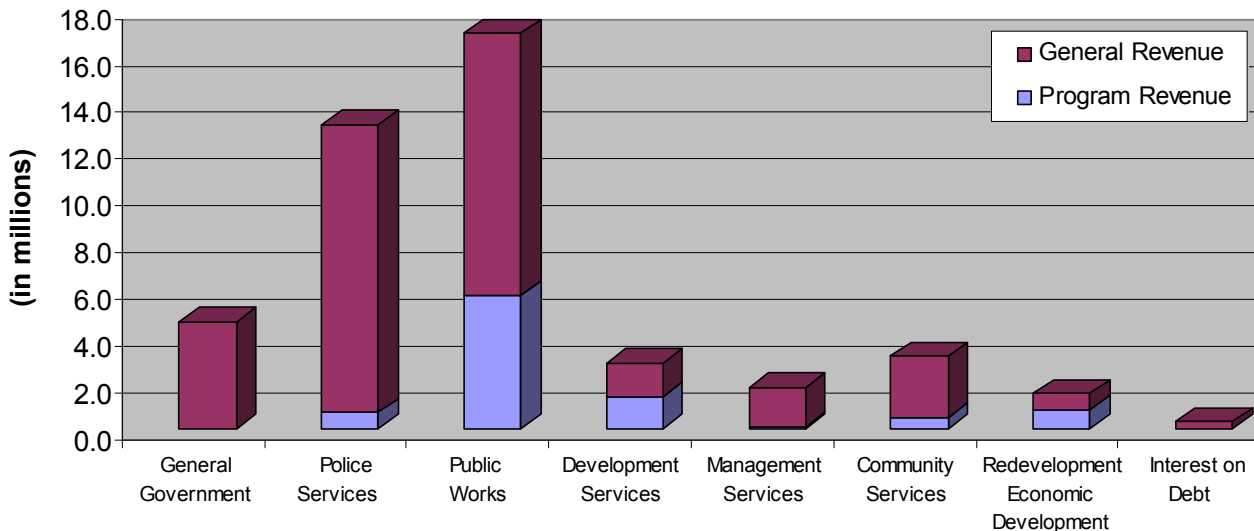
- Public Works costs decreased \$0.5 million as a result of the timing of street repaving and slurry seal projects. Operating costs were comparable to the prior year.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

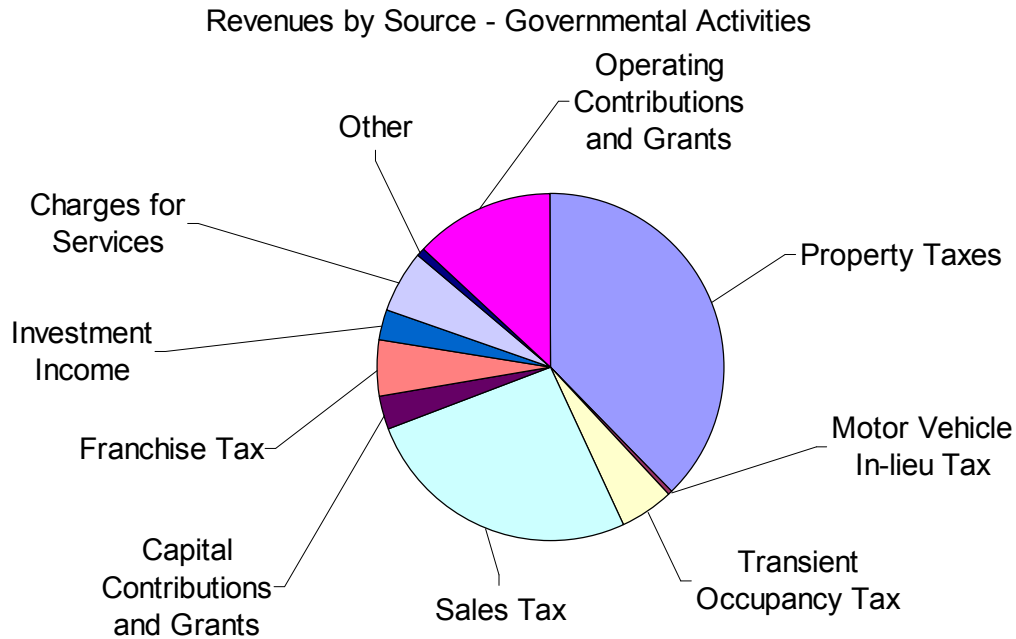
Table 2
Changes in Net Assets
(in millions)

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|----------------|
| | <u>2010</u> | <u>2009</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$2.4 | \$1.9 |
| Operating contributions and grants | 5.5 | 4.9 |
| Capital contributions and grants | 1.3 | |
| General revenues: | | |
| Taxes: | | |
| Property taxes | 15.7 | 17.0 |
| Transient occupancy taxes | 2.0 | 2.2 |
| Sales taxes | 10.9 | 12.5 |
| Franchise taxes | 2.2 | 2.4 |
| Motor vehicle in-lieu tax | 0.2 | 0.3 |
| Investment income | 1.2 | 2.4 |
| Other | <u>0.3</u> | <u>0.3</u> |
| Total revenues | <u>\$41.7</u> | <u>\$43.9</u> |
| Expenses: | | |
| General government | \$4.6 | \$4.8 |
| Public safety | 13.0 | 12.7 |
| Public works | 16.9 | 17.4 |
| Development services | 2.8 | 2.7 |
| Management services | 1.8 | 1.8 |
| Community services | 3.1 | 3.0 |
| Redevelopment/economic development | 1.5 | 1.5 |
| Interest on long-term debt | <u>0.4</u> | <u>0.4</u> |
| Total expenses | <u>\$44.1</u> | <u>\$44.3</u> |
| Increase (decrease) in net assets | <u>(\$2.4)</u> | <u>(\$0.4)</u> |

Funding of Governmental Activities



**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$105 million, a decrease of \$2.7 million in comparison with the prior year. Of this amount, \$101.3 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The City has designated \$49.6 million of the \$101.3 million in unreserved fund balance for a variety of purposes. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$1 million), 2) advances to other funds (\$2.1 million), and 3) for a variety of other restricted purposes (\$0.6 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$73.1 million, while total fund balance reached \$75.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund operating expenditures. Unreserved fund balance represents 235% of total General Fund expenditures, while total fund balance represents 242% of that same amount.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Fund balance in the City's General Fund decreased \$23.2 million during the current fiscal year. Key factors in this decrease are as follows:

- Revenues decreased from a year ago by \$1.5 million. Taxes decreased by \$2.3 million, primarily attributable to declining sales taxes due to the ongoing effect of the recession. Intergovernmental revenues increased by \$1.7 million mostly due to the timing of grant revenue utilization for capital improvement projects. Investment income decreased by \$1.2 million from the continuing effects of financial crisis on interest rates. The remaining portion is related to smaller fluctuations in other revenue accounts.
- Expenditures increased by \$0.8 million. Capital outlay costs increased by \$0.7 million primarily due to a certain larger projects in progress during the fiscal year, such as street repaving and slurry seal, the Alton Parkway Gap Closure, and Heroes Park Concession/Restroom projects. The remaining portion is related to smaller variances in various expenditure accounts in other departments.
- Interfund transfers out increased by \$21.2 million as a result of the City's advance funding of the sports park, recreation center, and intersection improvements. Much of these funds will be recovered when future development occurs.

The City has three other major funds, the Gas Tax, Opportunities Study Area Capital Project, and Redevelopment Agency Debt Service funds.

The Gas Tax Fund, which is composed of funds that can only be used for street related expenditures, ended the year with an increase in fund balance of \$0.1 million. Revenues increased from a year ago by \$0.7 million, primarily due to the utilization of Proposition 1B grant funds. Expenditures decreased by \$0.8 million, mostly attributable to the timing of construction of a Proposition 1B repaving project.

The Opportunities Study Area Capital Project Fund is primarily composed of funds transferred in from the General Fund to incur costs for public facilities related to future development. The major projects being funded at this time are a Sports Park and Recreation Center. This fund ended the year with an increase in fund balance of \$17.2 million. Expenditures increased by \$1.8 million, mostly attributable to planning and design costs of the above noted capital projects. Interfund transfers increased by \$19.6 million, reflecting the General Fund's contribution towards advancing these projects.

The Redevelopment Agency Debt Service Fund ended the year with an increase in fund balance of \$0.4 million. Revenues increased from a year ago by \$0.2 million, primarily due to higher tax increment receipts offset by lower investment income. Expenditures increased by \$1.3 million, mostly attributable to a \$1.2 million payment required by the State of California to assist with a budget deficit. Interfund transfers out were consistent with the prior year.

Proprietary funds. The internal service vehicle replacement fund net assets amounted to \$0.5 million at June 30, 2010. Of this amount, \$0.4 million is reported as unrestricted and net assets invested in capital assets amounted to \$0.1 million.

General Fund Budgetary Highlights

Revenues

The difference between original and final amended budgeted revenues was an increase of \$0.4 million. This difference was attributable to mid-year budget reductions of \$1.3 million offset by carryovers of \$0.8 million and additional grants of \$0.9 million. Notable mid-year revenue reductions

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

were made to sales taxes and investment income pursuant to continuing effect of the recession and financial crisis on the City's revenues. Carryover revenues were related to a variety of unearned and unreceived grants from the prior year. Additional grant adjustments consisted of American Recovery and Reinvestment Act grants for energy efficiency projects and county funding for the Alton Parkway Gap Closure project.

Total revenues were lower than budgeted amounts by \$1.6 million. Taxes exceeded the budget by \$0.4 million, mostly due to higher sales taxes when compared to the conservative mid-year budget reductions. Intergovernmental revenues were less than the budget by \$2.6 million primarily due to outstanding grants that were to be carried over into the next fiscal year. Charges for services were higher than the budget by \$0.2 million as a result of greater than expected receipts at the building counter and fees received for a rezoning request. The remaining budget variance is related to smaller fluctuations in other revenue categories.

As of June 30, 2010, none of the variances noted above were expected to significantly impact future government services or liquidity. The ongoing recession has negatively impacted the City's revenues, but this has been mitigated by conservative financial management and fully funded reserves.

Expenditures

The difference between original and final amended budgeted expenditures was \$14.1 million. This difference was mostly due to \$13.4 million in carryover appropriations of operating and capital projects that were not completed in Fiscal Year 2008-09. The remaining difference of \$1 million was primarily attributable to mid-year and year-end budget adjustments made to departmental and capital budgets based on activity during the fiscal year and reductions to address the ongoing recession.

Total expenditures were under budgeted amounts by \$14.9 million primarily attributable to \$13.4 million in operating and capital improvement projects not yet completed and thus, carried over into the next fiscal year. The remaining \$1.5 million consisted of savings on capital improvement projects and savings in various departmental budgets.

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$179.1 million net of accumulated depreciation and \$170.7 million net of related outstanding debt.

Major capital asset events during the current fiscal year included the following:

- Costs in the building and improvements category increased by \$0.5 million due to the Redevelopment Agency's purchase of two transitional housing condominiums.
- Costs in the construction in progress category increased \$4.3 million primarily related to work performed on a sports park, recreation center, streetscapes, traffic signal preemption, Alton Parkway Gap Closure, and the Heroes Park projects.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

City of Lake Forest Capital Assets
(net of depreciation)
(in millions)

| | <u>Governmental Activities</u> | |
|------------------------------|--------------------------------|-----------------------|
| | <u>2010</u> | <u>2009</u> |
| Land | \$ 44.7 | \$ 45.0 |
| Machinery and equipment | 0.9 | 0.9 |
| Buildings and improvements | 0.7 | 0.2 |
| Construction in progress | 7.4 | 3.1 |
| Infrastructure: | | |
| Streets | 78.1 | 80.5 |
| Curbs, gutters and sidewalks | 27.2 | 27.9 |
| Storm drain system | 7.3 | 7.6 |
| Traffic signal system | 2.2 | 2.3 |
| Medians | 3.9 | 4.1 |
| Park improvements | <u>6.7</u> | <u>7.3</u> |
| Total | <u>\$179.1</u> | <u>\$178.9</u> |

Additional information on the City's capital assets can be found in Note 3 in the Financial Section of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$8.9 million, a decrease of \$0.1 million from the prior fiscal year. Total long-term debt outstanding represents the issuance of Certificates of Participation ("Certificates") for the City's share of the El Toro Road Traffic and Landscape Improvement Project and compensated absences. Principal and interest on the Certificates are due in bi-annual payments. Debt service began in June 2004 and the Certificates mature in 2033.

City of Lake Forest - Outstanding Debt

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|---------------------------|---------------------------|
| 2004 Certificates of Participation | \$8,325,000 | \$8,545,000 |
| Premium on Issue | 43,653 | 45,497 |
| Compensated Absences | <u>511,717</u> | <u>391,147</u> |
| Totals | <u>\$8,880,370</u> | <u>\$8,981,644</u> |

Additional information on the City's long-term debt can be found in Note 5 in the Financial Section of this report.

Economic Factors and Next Year's Budgets and Rates

The June 30, 2010, unemployment rate for the City was 6.6% as compared to the rate of 6.2% one year ago. The City's rate compares favorably to the State's unemployment rate of 9.5% and the national average rate of 12.3%.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

The City's Fiscal Year 2010-11 Operating Budget takes into account the historical trends of property, hotel, and sales taxes. Additionally, anticipated effects of the ongoing recession were factored into the projections. The Operating Budget will be fully reviewed at mid-year to assess any further negative effects to revenues resulting from the current economic situation.

General Fund operating expenditures have been projected to remain relatively stable for the next five years due to revenue declines experienced from the recession. The City's General Fund is balanced in the Operating Budget for Fiscal Year 2010-11 and all reserves are fully funded. Reductions to expenditures will be required if revenues decline further during the remainder of the fiscal year.

All of these factors were considered in preparing the City's Budget for Fiscal Year 2010-11.

Requests for Information

This financial report is designed to provide a general overview of the City of Lake Forest's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Lake Forest, 25550 Commercentre Drive, Suite 100, Lake Forest, California 92630.

CITY OF LAKE FOREST

Statement of Net Assets

June 30, 2010

(With Comparative Totals For June 30, 2009)

| | Governmental Activities | |
|--|-------------------------|--------------------|
| | 2010 | 2009 |
| Assets: | | |
| Cash and investments (note 2) | \$ 110,128,274 | \$ 112,134,322 |
| Receivables: | | |
| Taxes | 1,988,322 | 660,543 |
| Accounts | 487,537 | 109,071 |
| Interest | 323,730 | 444,839 |
| Grants | 589,426 | 353,949 |
| Loans | 1,382,486 | 1,074,522 |
| Due from other governments | 359,037 | 1,700,179 |
| Prepaid items | 167,325 | 499,440 |
| Land held for resale | 326,000 | |
| Restricted cash and investments (note 2) | 347 | 347 |
| Unamortized bond issuance costs | 281,802 | 293,709 |
| Capital assets, undepreciated (note 3) | 52,110,381 | 48,103,899 |
| Capital assets, depreciated, net (note 3) | 126,965,329 | 131,153,591 |
| Total assets | 295,109,996 | 296,528,411 |
| Liabilities: | | |
| Accounts payable | 6,148,127 | 4,775,371 |
| Accrued salaries and benefits | 244,061 | 218,913 |
| Interest payable | 26,582 | 27,089 |
| Retentions payable | 42,298 | |
| Unearned revenue | 760,842 | 1,513,631 |
| Deposits payable | 1,812,521 | 1,426,747 |
| Non-current liabilities - due within one year (note 5) | 556,136 | 451,536 |
| Non-current liabilities - due beyond one year (note 5) | 8,324,234 | 8,530,108 |
| Total liabilities | 17,914,801 | 16,943,395 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 170,707,057 | 170,898,743 |
| Restricted for: | | |
| Redevelopment /economic development | 5,746,663 | 4,897,876 |
| Public safety | 11,320 | 11,197 |
| Public works | 4,928,210 | 1,480,864 |
| Community services | 215,310 | 575,643 |
| Unrestricted | 95,586,635 | 101,720,693 |
| Total net assets | \$ 277,195,195 | \$ 279,585,016 |

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST

Statement of Activities

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Program Revenues | | | | Net (expense) revenue and changes in net assets | |
|--|--------------------------|-------------------------|------------------------------------|----------------------------------|---|----------------------------|
| | Expenses | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | Governmental Activities | |
| | | | | | 2010 | 2009 |
| Governmental activities: | | | | | | |
| General government | \$ 4,621,487 | \$ 20,888 | | | \$ (4,600,599) | \$ (4,765,723) |
| Public safety | 12,999,563 | 490,693 | \$ 223,848 | | (12,285,022) | (11,977,941) |
| Public works | 16,921,113 | 121,098 | 4,428,437 | \$ 1,205,776 | (11,165,802) | (13,774,313) |
| Development services | 2,838,603 | 1,358,687 | | | (1,479,916) | (1,701,417) |
| Management services | 1,756,235 | | | 86,073 | (1,670,162) | (1,837,806) |
| Community services | 3,102,590 | 446,320 | 36,190 | 6,529 | (2,613,551) | (2,734,861) |
| Redevelopment/economic development | 1,477,888 | | 755,920 | | (721,968) | (296,689) |
| Interest on long term debt | <u>349,056</u> | | | | <u>(349,056)</u> | <u>(387,717)</u> |
| Total governmental activities | <u>\$ 44,066,535</u> | <u>\$ 2,437,686</u> | <u>\$ 5,444,395</u> | <u>\$ 1,298,378</u> | <u>\$ (34,886,076)</u> | <u>\$ (37,476,467)</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property tax, levied for general purpose | | | | | \$ 13,112,579 | \$ 13,444,917 |
| Property tax, redevelopment agency tax increment | | | | | 2,588,855 | 3,600,406 |
| Sales tax | | | | | 10,912,353 | 12,482,010 |
| Transient occupancy tax | | | | | 1,939,344 | 2,227,264 |
| Franchise tax | | | | | 2,237,285 | 2,354,422 |
| Motor vehicle license in lieu, unrestricted | | | | | 230,061 | 266,153 |
| Investment income | | | | | 1,179,089 | 2,544,784 |
| Other | | | | | <u>304,932</u> | <u>131,494</u> |
| Total general revenues | | | | | <u>32,504,498</u> | <u>37,051,450</u> |
| Change in net assets | | | | | (2,381,578) | (425,017) |
| Net assets at beginning of year, as restated (note 14) | | | | | <u>279,576,773</u> | <u>280,010,033</u> |
| Net assets, end of year | | | | | <u>\$ 277,195,195</u> | <u>\$ 279,585,016</u> |

See accompanying notes to basic financial statements.

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CITY OF LAKE FOREST

Governmental Funds

Balance Sheet

June 30, 2010

(With Comparative Totals For June 30, 2009)

| | <u>General</u> | <u>Special Revenue Fund</u> Gas Tax | <u>Capital Projects Fund</u> Opportunities Study Area |
|--------------------------------------|----------------------|---|--|
| <u>Assets</u> | | | |
| Cash and investments | \$ 76,217,547 | \$ 2,092,145 | \$ 18,028,801 |
| Receivables: | | | |
| Taxes | 1,988,322 | | |
| Accounts | 470,070 | 428 | |
| Interest | 323,730 | | |
| Grants | 443,380 | | |
| Loans | | | |
| Due from other governments | 106,459 | 197,139 | |
| Due from other funds (note 4) | 105,896 | | |
| Prepaid items | 164,387 | | |
| Advance to other funds (note 4) | 1,138,143 | | |
| Land held for resale | | | |
| Restricted cash and investments | | | |
| Total assets | <u>\$ 80,957,934</u> | <u>\$ 2,289,712</u> | <u>\$ 18,028,801</u> |
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 4,414,774 | \$ 1,423,550 | \$ 211,743 |
| Accrued salaries and benefits | 244,061 | | |
| Retentions payable | 42,298 | | |
| Due to other funds (note 4) | | | |
| Deferred revenue | 413,710 | 347,132 | |
| Deposits | 538,255 | | 1,274,266 |
| Advance from other funds (note 4) | | | |
| Total liabilities | <u>5,653,098</u> | <u>1,770,682</u> | <u>1,486,009</u> |
| Fund balances (note 8) : | | | |
| Reserved for: | | | |
| Encumbrances | 879,929 | | 97,923 |
| Noncurrent receivable | | | |
| Prepaid items | 164,387 | | |
| Advances to other funds | 1,138,143 | | |
| Land held for resale | | | |
| Debt service | | | |
| Unreserved, reported in: | | | |
| General fund | 73,122,377 | | |
| Special revenue funds | | 519,030 | |
| Capital projects funds | | | 16,444,869 |
| Debt service funds | | | |
| Total fund balances | <u>75,304,836</u> | <u>519,030</u> | <u>16,542,792</u> |
| Total liabilities and fund balances | <u>\$ 80,957,934</u> | <u>\$ 2,289,712</u> | <u>\$ 18,028,801</u> |

See accompanying notes to basic financial statements.

| <u>Debt Service Fund</u> | | Nonmajor Governmental Funds | Totals | |
|---------------------------------|----------------------|-----------------------------------|-----------------------|-------------|
| <u>Redevelopment Agency</u> | | | <u>2010</u> | <u>2009</u> |
| \$ 5,681,129 | \$ 7,697,945 | \$ 109,717,567 | \$ 111,785,615 | |
| | | 1,988,322 | 2,021,043 | |
| | 17,039 | 487,537 | 109,071 | |
| | | 323,730 | 444,839 | |
| | 146,046 | 589,426 | 353,949 | |
| | 1,382,486 | 1,382,486 | 1,074,522 | |
| 31,616 | 23,823 | 359,037 | 339,679 | |
| | | 105,896 | 128,923 | |
| | 2,938 | 167,325 | 499,440 | |
| | 990,152 | 2,128,295 | 1,138,143 | |
| | 326,000 | 326,000 | | |
| | 347 | 347 | 347 | |
| <u>\$ 5,712,745</u> | <u>\$ 10,586,776</u> | <u>\$ 117,575,968</u> | <u>\$ 117,895,571</u> | |
| | \$ 98,060 | \$ 6,148,127 | \$ 4,775,371 | |
| | | 244,061 | 218,913 | |
| | | 42,298 | | |
| | 105,896 | 105,896 | 128,923 | |
| | 1,382,486 | 2,143,328 | 2,588,153 | |
| | | 1,812,521 | 1,426,747 | |
| <u>\$ 2,128,295</u> | | <u>2,128,295</u> | <u>1,138,143</u> | |
| <u>2,128,295</u> | <u>1,586,442</u> | <u>12,624,526</u> | <u>10,276,250</u> | |
| | 23,738 | 1,001,590 | 729,229 | |
| 21,464 | | 21,464 | | |
| | 2,938 | 167,325 | 499,440 | |
| | 990,152 | 2,128,295 | 1,138,143 | |
| | 326,000 | 326,000 | | |
| | 347 | 347 | 347 | |
| | | 73,122,377 | 96,323,995 | |
| | 5,239,195 | 5,758,225 | 6,457,552 | |
| | 2,417,964 | 18,862,833 | (719,171) | |
| <u>3,562,986</u> | | <u>3,562,986</u> | <u>3,189,786</u> | |
| <u>3,584,450</u> | <u>9,000,334</u> | <u>104,951,442</u> | <u>107,619,321</u> | |
| <u>\$ 5,712,745</u> | <u>\$ 10,586,776</u> | <u>\$ 117,575,968</u> | <u>\$ 117,895,571</u> | |

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CITY OF LAKE FOREST

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2010

| | |
|---|-----------------------|
| Fund balances of governmental funds | \$ 104,951,442 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets net of depreciation have not been included as financial resources in governmental fund activity. | |
| Capital assets | 253,811,992 |
| Accumulated depreciation | (74,851,098) |
| Long-term loans receivable are not available to pay for current-period expenditures and, therefore are deferred in the funds. | 1,382,486 |
| Governmental funds report bond issuance costs as an expenditure when incurred. These costs are capitalized and amortized over the life of the bonds in the Statement of Net Assets. This amount represents the remaining costs to be amortized over the life of the bonds. | 281,802 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following: | |
| Compensated absences | (511,717) |
| Certificates of participation bonds payable | (8,325,000) |
| Unamortized premium on certificates of participation bonds | (43,653) |
| Interest expenditures are recognized in the governmental funds when due. Interest expense is recorded on the accrual basis in the government- wide financial statements, and therefore these statements reflect a liability for accrued interest payable. | (26,582) |
| 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 included in the Statement of Net Assets. | <u>525,523</u> |
| Net assets of governmental activities | <u>\$ 277,195,195</u> |

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | General | Special Revenue Fund Gas Tax | Capital Projects Fund Opportunities Study Area |
|---|---------------|---|--|
| Revenues: | | | |
| Taxes | \$ 28,201,561 | | |
| Licenses and permits | 513,001 | | |
| Intergovernmental | 2,317,356 | \$ 2,741,044 | |
| Charges for services | 1,080,002 | | |
| Fines and forfeitures | 487,085 | | |
| Investment income | 1,051,217 | 15,966 | |
| Other | 229,307 | 33,736 | |
| Total revenues | 33,879,529 | 2,790,746 | |
| Expenditures: | | | |
| Current: | | | |
| General government | 4,239,559 | | |
| Public safety | 12,818,213 | | |
| Public works | 6,772,641 | 1,875,572 | |
| Development services | 2,646,858 | | |
| Management services | 1,606,047 | | |
| Community services | 2,733,358 | | |
| Redevelopment/economic development | 302,791 | | |
| Capital outlay | 4,486,272 | 772,519 | \$ 2,426,949 |
| Debt service: | | | |
| Principal payments | | | |
| Interest and fiscal charges | | | |
| Pass-through payments | | | |
| SERAF payment to State | | | |
| Total expenditures | 35,605,739 | 2,648,091 | 2,426,949 |
| Excess (deficiency) of revenues over (under) expenditures | (1,726,210) | 142,655 | (2,426,949) |
| Other financing sources (uses): | | | |
| Transfers in (note 4) | 64,870 | | 19,588,000 |
| Transfers out (note 4) | (21,571,954) | | |
| Total other financing sources (uses) | (21,507,084) | | 19,588,000 |
| Net change in fund balances | (23,233,294) | 142,655 | 17,161,051 |
| Fund balances (deficit), beginning of year, as as restated (note 14) | 98,538,130 | 376,375 | (618,259) |
| Fund balances, end of year | \$ 75,304,836 | \$ 519,030 | \$ 16,542,792 |

See accompanying notes to basic financial statements.

| <u>Debt Service Fund</u> | | | |
|-----------------------------|------------------------------------|-----------------------|-----------------------|
| <u>Redevelopment Agency</u> | <u>Nonmajor Governmental Funds</u> | <u>Totals</u> | |
| | | <u>2010</u> | <u>2009</u> |
| \$ 4,410,685 | \$ 990,152 | \$ 33,602,398 | \$ 35,595,068 |
| | | 513,001 | 483,310 |
| | 1,495,726 | 6,554,126 | 4,798,406 |
| | 357,289 | 1,437,291 | 863,867 |
| | | 487,085 | 556,560 |
| 82,753 | 76,684 | 1,226,620 | 2,654,323 |
| 27,063 | 80,528 | 370,634 | 221,942 |
| <u>4,520,501</u> | <u>3,000,379</u> | <u>44,191,155</u> | <u>45,173,476</u> |
| | 171,564 | 4,411,123 | 4,588,334 |
| | 135,147 | 12,953,360 | 12,709,337 |
| | 112,478 | 8,760,691 | 8,628,070 |
| | 115,705 | 2,762,563 | 2,677,232 |
| | | 1,606,047 | 1,746,164 |
| | 351,533 | 3,084,891 | 2,947,541 |
| | 1,175,097 | 1,477,888 | 1,455,462 |
| | 1,071,249 | 8,756,989 | 7,698,639 |
| | 220,000 | 220,000 | 215,000 |
| 11,132 | 328,368 | 339,500 | 364,548 |
| 1,602,447 | | 1,602,447 | 1,486,049 |
| <u>1,209,535</u> | | <u>1,209,535</u> | |
| <u>2,823,114</u> | <u>3,681,141</u> | <u>47,185,034</u> | <u>44,516,376</u> |
| <u>1,697,387</u> | <u>(680,762)</u> | <u>(2,993,879)</u> | <u>657,100</u> |
| | 3,878,377 | 23,531,247 | 1,630,931 |
| <u>(1,302,723)</u> | <u>(656,570)</u> | <u>(23,531,247)</u> | <u>(1,630,931)</u> |
| <u>(1,302,723)</u> | <u>3,221,807</u> | | |
| 394,664 | 2,541,045 | (2,993,879) | 657,100 |
| <u>3,189,786</u> | <u>6,459,289</u> | <u>107,945,321</u> | <u>106,962,221</u> |
| <u>\$ 3,584,450</u> | <u>\$ 9,000,334</u> | <u>\$ 104,951,442</u> | <u>\$ 107,619,321</u> |

CITY OF LAKE FOREST

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (2,993,879)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

| | |
|----------------------------------|-------------|
| Depreciation | (5,209,280) |
| Capital outlay, net of disposals | 5,436,736 |

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|--|----------|
| Bonds payable | 220,000 |
| Current year amortization of bond premium | 1,844 |
| Current year amortization of bond issuance costs | (11,907) |

Interest on noncurrent liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.

| | |
|------------------|-----|
| Accrued interest | 507 |
|------------------|-----|

Compensated absences reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is reported on the statement of activities. (120,570)

Long-term loans are reported as expenditures when made and as revenue when repaid in the governmental funds. However, there is no impact in the Statement of Activities when loans are made or repaid. 307,964

Internal service funds are used by management to charge the costs of certain activities, such as vehicle replacement to individual funds. The net revenues of the internal service fund are reported with governmental activities. (12,993)

Change in net assets of governmental activities \$ (2,381,578)

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST
Proprietary Fund

Statement of Net Assets

June 30, 2010

(With Comparative Totals For June 30, 2009)

| | <u>Governmental Activities - Internal Service Fund Totals</u> | |
|----------------------------------|---|-------------------|
| | <u>2010</u> | <u>2009</u> |
| <u>Assets</u> | | |
| Cash and investments | \$ 410,707 | \$ 348,707 |
| Capital assets, depreciated, net | <u>114,816</u> | <u>189,809</u> |
| Total assets | <u>525,523</u> | <u>538,516</u> |
| <u>Net assets</u> | | |
| Invested in capital assets | 114,816 | 189,809 |
| Unrestricted | <u>410,707</u> | <u>348,707</u> |
| Total net assets | <u>\$ 525,523</u> | <u>\$ 538,516</u> |

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST
Proprietary Fund

Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Governmental Activities - Internal Service Fund Totals | |
|---------------------------------------|---|------------|
| | 2010 | 2009 |
| Operating revenues: | | |
| Current service charges | \$ 62,000 | \$ 92,180 |
| Operating expenses: | | |
| Depreciation | 72,813 | 68,852 |
| Total operating expenses | 72,813 | 68,852 |
| Operating income (loss) | (10,813) | 23,328 |
| Non-operating revenues (expenses): | | |
| Other | (2,180) | |
| Gain (loss) on sale of capital assets | | (20,738) |
| Income before capital contributions | (2,180) | 2,590 |
| Capital contributions | | 37,104 |
| Change in net assets | (12,993) | 39,694 |
| Net assets, beginning of year | 538,516 | 498,822 |
| Net assets, end of year | \$ 525,523 | \$ 538,516 |

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST

Proprietary Fund

Statement of Cash Flows

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Governmental Activities - Internal Service Fund Totals | |
|--|---|-------------------|
| | <u>2010</u> | <u>2009</u> |
| Cash flows from operating activities: | | |
| Cash received from user departments | \$ 62,000 | \$ 92,180 |
| Net cash provided by operating activities | <u>62,000</u> | <u>92,180</u> |
| Cash flows from capital and related financing activities | | |
| Acquisition of capital assets | | (54,122) |
| Proceeds from sale of capital assets | | 9,771 |
| Net cash used by capital and related financing activities | | <u>(44,351)</u> |
| Net increase in cash and cash equivalents, beginning of year | 62,000 | 47,829 |
| Cash and cash equivalents, beginning of year | <u>348,707</u> | <u>300,878</u> |
| Cash and cash equivalents, end of year | <u>\$ 410,707</u> | <u>\$ 348,707</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income (loss) | \$ (10,813) | \$ 23,328 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | <u>72,813</u> | <u>68,852</u> |
| Net cash provided by operating activities | <u>\$ 62,000</u> | <u>\$ 92,180</u> |
| Supplemental disclosure of non-cash capital and related financing activities: | | |
| Contributed capital assets | <u>\$</u> | <u>\$ 37,104</u> |

See accompanying notes to basic financial statements

CITY OF LAKE FOREST

Agency Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2010

(With Comparative Totals For June 30, 2009)

| | Totals | |
|-------------------------------|-------------------|------------------|
| | 2010 | 2009 |
| <u>Assets</u> | | |
| Cash and investments (note 2) | \$ 186,363 | \$ 18,982 |
| Total assets | <u>\$ 186,363</u> | <u>\$ 18,982</u> |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 173,363 | \$ 6,204 |
| Interest payable | 2,524 | 2,374 |
| Deposits payable | <u>10,476</u> | <u>10,404</u> |
| Total liabilities | <u>\$ 186,363</u> | <u>\$ 18,982</u> |

See accompanying notes to financial statements

CITY OF LAKE FOREST

Notes to Basic Financial Statements

Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies

The accounting policies of the City of Lake Forest (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The City has implemented GASB Statement No. 34 and these statements are presented according to those requirements. The following is a summary of the significant policies.

(a) Description of the Reporting Entity

This report includes all fund types of the City of Lake Forest (the “primary government”), the Lake Forest Redevelopment Agency (the Agency), and the Rancho Canãda Financing Authority (the Authority). The Agency and the Authority meet the definition of a “component unit,” and are presented on a “blended” basis, as if they are part of the primary government. Although they are legally separate entities, the governing board of the Agency and the Authority are comprised of the same membership as the City Council. The City may impose its will on the Agency and the Authority, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City, the Agency, and the Authority.

The City of Lake Forest was incorporated on December 20, 1991, under the laws of the State of California and enjoys all the rights and privileges pertaining to “General Law” cities. The City operates under a council-manager form of government and currently provides public safety, planning, building, code enforcement, engineering, street maintenance, street lighting, parks, recreation, and general administrative services.

The Lake Forest Redevelopment Agency was activated in October 1995 pursuant to the State of California Health and Safety Code Section 33000, entitled “Community Redevelopment Law.” Its purpose is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Lake Forest.

The Rancho Canãda Financing Authority was established pursuant to the Rancho Canãda Financing Authority Joint Exercise of Powers Agreement, dated as of September 15, 1998, by and between the City and the Authority, under the provision of Chapter 5, Division 7, Title 1 of the Government Code of the State. The Board of Directors of the Authority is composed of the five members in connection with the acquisition, construction and improvement of public capital improvements, working capital requirements or insurance programs of the members.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Separate financial statements for the Agency can be obtained from the City of Lake Forest Finance Department located at City Hall, 25550 Commercentre Drive, Suite 100, Lake Forest, California, 92630. The Authority does not issue separate financial statements.

(b) Basis of Accounting, Measurement Focus and Financial Statement Presentation

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

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include a single column for the governmental activities of the primary government. The City of Lake Forest has no business-type activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

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

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories:

1. Charges for services,
2. Operating grants and contributions, and
3. Capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund transfers, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. Internal service fund activity has been eliminated and net balances are included in the governmental activities. Interfund services provided and used, if any, are not eliminated in the consolidation process.

Fund Financial Statements

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

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Fund Financial Statements, (Continued)

Fund financial statements for the primary government's governmental and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 90 days, except for property taxes which is 60 days.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in lieu fees, highway user's taxes, transient occupancy taxes, grants and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, which requires that local governments defer grant revenue that is not received within 180 days after the fiscal year ends to meet the "available" criteria of revenue recognition.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds, (Continued)

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered “available spendable resources,” since they do not represent net current assets.

Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Proprietary Fund Financial Statements

Proprietary fund types are accounted for using the “economic resources” measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. Their reported fund equity presents total net assets. The operating statement of the proprietary funds presents increases (revenues) and decreases (expenses) in total net assets. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s internal service fund are charges to departments for vehicle replacement charges. The primary operating expense for the internal service fund is depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City’s internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City’s governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.). The City uses the internal service fund to account for vehicle replacement activities.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City’s Fiduciary Funds, which are custodial in nature (assets equal liabilities), use the accrual basis of accounting and do not involve measurement of results of operations. The City’s Fiduciary Funds consist of agency funds that are used to account for funds collected and disbursed on behalf of entities outside of the City. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements. The City uses agency funds to account for the collection and disbursement of funds for Orange County road construction programs, the State of California Strong Motion Instrumentation Program, the State of California Building Standards Commission’s green building standards program, and deposits related to the formation of Community Facilities Districts.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Gas Tax Special Revenue Fund

This fund is used to account for receipts and expenditures of money appropriated under Streets and Highways Code Sections 2105, 2106, 2107, 2107.5 and Propositions 1B and 42 of the State of California. These funds are earmarked for maintenance, rehabilitation, or improvement of public streets.

Opportunities Study Area Capital Projects Fund

This fund is used to account for costs to design and construct a sports park, recreation center, meeting facility, and a civic center. This fund is currently funded by developer advances and available City funds.

Redevelopment Agency Debt Service Fund

This fund is used to account for the accumulation of resources to repay debt for the Lake Forest Redevelopment Agency.

The City also reports the following fund types:

Internal Service Funds

The Internal Service Fund is used to account for the cost of replacing the City's vehicles.

Agency Funds

These funds are used to account for special deposits for which the City acts as an agent for all special deposit activity.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(d) Cash and Cash Equivalents

All cash and investments are held in the City's cash management pool. Therefore, for purposes of the statement of cash flows for proprietary funds, the City considers the entire pooled cash and investment balance to be cash and cash equivalents.

All cash and investments are held in the City's cash management pool. Therefore, for purposes of the statement of cash flows for proprietary funds, the City considers the entire pooled cash and investment balance to be cash and cash equivalents.

(e) Investments

Investments are reported in the accompanying statement of net assets at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings and changes in fair value. The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

(f) Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the Government-Wide Statements and Fund Financial Statements.

(g) 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 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.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(g) Property Taxes, (Continued)

Under California law, property taxes are assessed and collected by the counties at up to one percent 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, proceeding 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.

(h) Capital Assets

Capital assets, which include land, machinery and equipment (furniture, vehicles, computers, etc.), and infrastructure assets (street systems, storm drains, traffic signals, etc.), are reported in Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

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 is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

| <u>Item</u> | <u>Useful Life</u> |
|-----------------------------|--------------------|
| Buildings and improvements | 10 |
| Computers | 3 |
| Machinery and equipment | 5 |
| Vehicles | 5 |
| Furniture | 7 |
| Infrastructure: | |
| Traffic signals | 25 |
| Median improvements | 25 |
| Street system – Arterial | 35 |
| Street system – Residential | 50 |
| Storm drains | 50 |

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Assets. Premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Long-term debt is reported net of the applicable premiums or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line method.

In the fund financial statements, premiums and discounts, as well as issuance costs, are recognized in the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(j) Compensated Absences

In accordance with GASB Statement No. 16, an employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances. The employee's 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.

(k) Fund Equity

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

(l) Use of Estimates

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

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(m) Comparative Data

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

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

| | |
|--|----------------------|
| Statement of Net Assets: | |
| Cash and investments | \$110,128,274 |
| Restricted cash and investments | 347 |
| Statement of Fiduciary Assets and Liabilities: | |
| Cash and investments | <u>186,363</u> |
| Total cash and investments | <u>\$110,314,984</u> |

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

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 2,350 |
| Deposits with financial institutions | 4,109,365 |
| Investments | <u>106,203,269</u> |
| Total cash and investments | <u>\$110,314,984</u> |

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agent that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

| <u>Investment Types Authorized by State Law</u> | <u>Authorized by Investment Policy</u> | <u>Maximum Maturity*</u> | <u>Maximum Percentage of Portfolio*</u> | <u>Maximum Investment In One Issuer*</u> |
|---|--|------------------------------|---|--|
| Local Agency Bonds | No | 5 years | None | None |
| U.S. Treasury Obligations | Yes | 5 years | None | None |
| U.S. Agency Securities | Yes | 5 years | 60% | 20% |
| Banker's Acceptances | Yes | 180 days | 20% | 5% |
| Commercial Paper | Yes | 180 days | 15% | 5% |
| Negotiable Certificates of Deposit | Yes | 5 years | 20% | 5% |
| Repurchase Agreements | Yes | 30 days | 10% | None |
| Reverse Repurchase Agreements | No | 92 days | 20% of base value | None |
| Medium-Term Notes | No | 5 years | 10% | \$1,000,000 |
| Mutual Funds | Yes | 2 years | 20% | 10% |
| Money Market Mutual Funds | Yes | None | 10% | 10% |
| Mortgage Pass-Through Securities | No | 5 years | 20% | None |
| County Pooled Investment Funds | No | None | None | None |
| California Asset Management Program | Yes | None | 30% | None |
| State Investment Pool (LAIF) | Yes | None | 50% | None |
| JPA Pools (other investment pools) | Yes | None | 30% | None |

* Based on state law requirements or investment policy requirements, whichever is more restrictive. The City may not invest in items that are permitted by the State but not permitted by the City's investment policy.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are permitted under the debt agreement with the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|---------------------------------------|-----------------------------|---|---|
| U.S. Treasury Obligations | None | None | None |
| Certain U.S. Agency Securities | None | None | None |
| Money Market Mutual Funds | None | None | None |
| Investment Agreements | None | None | None |
| Commercial Paper | None | None | None |
| Local Agency Bonds or Notes | None | None | None |
| Bankers Acceptances | 1 year | None | None |
| Repurchase Agreements | 30 days | None | None |
| State Investment Pool (LAIF) | None | None | None |

Disclosures Relating to Interest Rate Risk

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

The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

| <u>Investment Type</u> | <u>Total</u> | <u>Weighted Average Maturity (in years)</u> |
|--|--------------------------|---|
| U.S. Treasury Notes | \$ 18,193,487 | 1.119 |
| U.S. Agency Securities | 27,835,462 | .805 |
| State Investment Pool (LAIF) | 48,176,084 | .640 |
| California Asset Management Program (CAMP) | 11,604,227 | .016 |
| Money Market Mutual Funds | 393,662 | N/A |
| Held by Fiscal Agent: | | |
| Money Market Mutual Funds | <u>347</u> | N/A |
| Total | <u>\$106,203,269</u> | |

Disclosures Relating to Credit Risk

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

| <u>Investment type</u> | <u>Total</u> | <u>Minimum Legal Rating</u> | <u>Rating as of Year End</u> | | |
|--|--------------------------|-----------------------------|-------------------------------|-------------------------|-------------------------|
| | | | <u>Exempt from Disclosure</u> | <u>AAA</u> | <u>Not Rated</u> |
| U.S. Treasury Notes | \$ 18,193,487 | N/A | \$18,193,487 | | |
| U.S. Agency Securities | 27,835,462 | N/A | | \$27,835,462 | |
| State Investment Pool (LAIF) | 48,176,084 | N/A | | | \$48,176,084 |
| California Asset Management Program (CAMP) | 11,604,227 | N/A | | 11,604,227 | |
| Money Market Mutual Funds | 393,662 | A | | 393,662 | |
| Held by Fiscal Agents: | | | | | |
| Money Market Mutual Funds | <u>347</u> | AAAm-G | | <u>347</u> | |
| Total | <u>\$106,203,269</u> | | <u>\$18,193,487</u> | <u>\$39,833,698</u> | <u>\$48,176,084</u> |

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code as noted on page 38. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds and external investment pools) that represent 5 percent or more of total investments were as follows:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> |
|----------------------------|---------------------------|------------------------|
| Federal Farm Credit Agency | Federal agency securities | \$17,496,422 |
| Federal Home Loan Bank | Federal agency securities | <u>10,339,040</u> |
| Total | | <u>\$27,835,462</u> |

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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. Currently, LAIF does not have an investment rating.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

California Asset Management Program (CAMP)

The City invests in this investment trust, which is similar to a money market mutual fund. The fund invests primarily in certificates of deposit, commercial paper, and U.S. Government and Agency obligations. The City is a voluntary participant in the investment pool.

The CAMP Cash Reserve Portfolio (the "Pool") is exempt from registration with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 2a-7, "Money Market Funds", of that Act. Accordingly, the Pool meets the definition of a "2a-7 like pool" set forth in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. While the Pool itself is exempt from SEC registration, the Pool's Investment advisor and administrator, PFM Asset Management LLC, is registered with the SEC as an investment advisor under the Investment Advisors Act of 1940. PFM Asset Management LLC has filed with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws. In addition, the Pool also meets the definition of "Municipal Fund Security" outlined by Municipal Securities Rulemaking Board ("MSRB") Rule 0-12, therefore contacts with prospective

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

California Asset Management Program (CAMP), (Continued)

investors relating to shares of the Pool are conducted through PFM Asset Management's wholly owned subsidiary, PFMAM, Inc., a broker/dealer that is registered with the SEC and MSRB, and is a member of the National Association of Securities Dealers ("NASD"). The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

(3) Capital Assets

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

| | <u>Balance at</u> <u>June 30, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>June 30, 2010</u> |
|---|---|--------------------|--------------------|---|
| Capital assets not being depreciated: | | | | |
| Land and rights of way | \$ 45,026,390 | \$ 7,168 | \$(300,000) | \$ 44,733,558 |
| Construction in progress | <u>3,077,509</u> | <u>4,671,110</u> | <u>(371,796)</u> | <u>7,376,823</u> |
| Total capital assets not being depreciated | <u>48,103,899</u> | <u>4,678,278</u> | <u>(671,796)</u> | <u>52,110,381</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 296,962 | 502,100 | | 799,062 |
| Machinery and equipment | 2,435,669 | 449,116 | (133,403) | 2,751,382 |
| Infrastructure | <u>197,960,285</u> | <u>479,039</u> | | <u>198,439,324</u> |
| Total capital assets being depreciated | <u>200,692,916</u> | <u>1,430,255</u> | <u>(133,403)</u> | <u>201,989,768</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (133,632) | (38,134) | | (171,766) |
| Machinery and equipment | (1,543,502) | (423,697) | 131,223 | (1,835,976) |
| Infrastructure | <u>(68,196,434)</u> | <u>(4,820,263)</u> | | <u>(73,016,697)</u> |
| Total accumulated depreciation | <u>(69,873,568)</u> | <u>(5,282,094)</u> | <u>131,223</u> | <u>(75,024,439)</u> |
| Total capital assets being depreciated, net | <u>130,819,348</u> | <u>(3,851,839)</u> | <u>(2,180)</u> | <u>126,965,329</u> |
| Capital assets, net | <u>\$178,923,247</u> | <u>\$ 826,439</u> | <u>\$(673,976)</u> | <u>\$179,075,710</u> |

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(3) Capital Assets, (Continued)

Construction in progress consists primarily of additions to infrastructure and a sports park.

Depreciation expense was charged to functions/programs of the primary government as follows:

| | | |
|---|----|--------------------|
| General government | \$ | 78,981 |
| Public safety | | 46,203 |
| Public works, including depreciation of infrastructure assets | | 4,840,170 |
| Development services | | 76,040 |
| Management services | | 150,188 |
| Community services | | 17,699 |
| Depreciation on capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets | | 72,813 |
| Total depreciation expense – governmental activities | | <u>\$5,282,094</u> |

Construction Commitments

As of June 30, 2010, budgeted funds committed for major capital projects included the following projects:

| | <u>Project Budget</u> | <u>Expenditures to Date</u> | <u>Unexpended Balance</u> |
|---|---------------------------|---------------------------------|-------------------------------|
| Sports park | \$19,155,400 | \$2,427,925 | \$16,727,475 |
| Trabuco Road streetscape | 2,442,000 | 369,742 | 2,072,258 |
| Lake Forest traffic transportation mitigation | 2,291,000 | 140,566 | 2,150,434 |
| Rockfield Boulevard streetscape | 1,435,000 | 313,355 | 1,121,645 |
| El Toro Road streetscape | 1,397,000 | 123,385 | 1,273,615 |
| Jeronimo Road streetscape | 1,350,000 | 333,734 | 1,016,266 |
| Recreation center | 1,260,900 | 392,145 | 868,755 |
| Proposition 1B asphalt rehabilitation | 1,163,187 | 772,519 | 390,668 |
| Play equipment replacement | 1,161,800 | 782,092 | 379,708 |
| Alton Parkway gap closure | 1,050,000 | 534,472 | 515,528 |

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(4) Interfund Activities

Interfund Advances

Interfund advances at June 30, 2010 consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|--|--------------------|
| General Fund | Redevelopment Agency Debt Service Fund | \$1,138,143 |
| Redevelopment Agency Low and Moderate Income Housing Fund | Redevelopment Agency Debt Service Fund | <u>990,152</u> |
| Total | | <u>\$2,128,295</u> |

The City's General Fund has advanced money to the Redevelopment Agency to finance operations. The loan agreement provides for reimbursement to the City together with interest thereon at the same rate per annum as the City is receiving during such period on its investment portfolio. The repayment terms are indefinite and are dependent upon future tax increment receipts. The advance is between governmental funds and is therefore not reflected in the Statement of Net Assets.

The Redevelopment Agency Low and Moderate Income Housing Fund has advanced money to the Redevelopment Agency to finance the SERAF contribution.

Due From/Due to Other Funds

Amounts due from and due to other funds as of June 30, 2010 consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|------------------------------|-------------------|
| General Fund | Non-major Governmental Funds | <u>\$ 105,896</u> |
| Total | | <u>\$ 105,896</u> |

The interfund balances reflected above represent short-term borrowings of cash pending receipt of reimbursements from granting agencies and others.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(4) Interfund Activities, (Continued)

Interfund Transfers

The following summarizes interfund transfers for the fiscal year ended June 30, 2010:

| <u>Transfers Out:</u> | <u>General Fund</u> | <u>Transfers In Opportunities Study Area Capital Projects Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Totals</u> |
|---|-------------------------|--|---|---------------------|
| General Fund | | \$18,996,300 | \$2,575,564 | \$21,571,954 |
| Redevelopment Agency Debt Service Fund | | | 1,302,723 | 1,302,723 |
| Non-Major Governmental Funds | <u>\$64,870</u> | <u>591,700</u> | _____ | <u>656,570</u> |
| | <u>\$64,870</u> | <u>\$19,588,000</u> | <u>\$3,878,377</u> | <u>\$23,531,247</u> |

Interfund transfers during the current fiscal year were made for the following purposes:

- (A) The General Fund transferred \$263,963 to the Etnies Skatepark Fund to subsidize operations.
- (B) The General Fund transferred \$18,996,300 to the Opportunities Study Area Capital Projects Fund to provide funding for capital improvement projects, such as a sports park and recreation center.
- (C) The General Fund transferred \$2,291,000 to the Lake Forest Transportation Mitigation Fund to provide funding for intersection improvements related to future development.
- (D) The Redevelopment Agency Debt Service Fund transferred \$548,368 to the Financing Authority Debt Service Fund to pay debt service expenditures incurred by the fund and transferred \$754,356 to the Redevelopment Capital Projects Fund to provide funding for redevelopment operations and capital improvement projects.
- (E) The Park Development Capital Projects Fund transferred \$591,700 to the Opportunities Study Area Capital Projects Fund to provide funding for the sports park project.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Debt

The change in the City's long-term debt during the fiscal year ending June 30, 2010, consisted of the following:

| | <u>Balance at</u> <u>June 30, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>End of Year</u> | <u>Due Within</u> <u>One Year</u> | <u>Due</u> <u>Beyond</u> <u>One Year</u> |
|---------------------------------------|---|----------------------|------------------------|--------------------------------------|--------------------------------------|--|
| 2004 Certificates of Participation | \$8,545,000 | | \$(220,000) | \$8,325,000 | \$225,000 | \$8,100,000 |
| Unamortized bond premium | 45,497 | | (1,844) | 43,653 | | |
| Compensated absences | <u>391,147</u> | <u>\$595,071</u> | <u>(474,501)</u> | <u>511,717</u> | <u>329,293</u> | <u>182,494</u> |
| Total long-term debt | <u>\$8,981,644</u> | <u>\$595,071</u> | <u>\$(696,345)</u> | <u>\$8,880,370</u> | <u>\$554,293</u> | <u>\$8,326,077</u> |

Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1(j). This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2010, the outstanding balance was \$511,717.

Certificates of Participation

On March 1, 2004, the Rancho Canãda Financing Authority issued \$9,505,000 in Certificates of Participation to partially finance the El Toro Road Traffic and Landscape Improvement Project. Interest is payable beginning June 1, 2004, and semiannually on each June 1 and December 1. The interest rate of this debt at the date of issue ranges from 2.80% to 4.25%. The certificates mature serially beginning December 1, 2004 through December 1, 2033. A reserve surety bond funded the legal reserve requirement of \$552,218.

The Certificates utilize an asset transfer structure whereby, concurrent with the above debt issuance, the City entered into a lease agreement with the Rancho Canãda Financing Authority with respect to Concourse Park, Pittsford Park, Rimgate Park and Lake Forest Golf and Practice Center (collectively, the "Leased Property"). The City will sublease the Leased Property to the Authority, and the Authority will sublease the Leased Property to the City. The City is obligated to pay lease payments under the lease agreement from any legally available monies, including transfers from the Redevelopment Agency. The lease payments are calculated to be an amount sufficient to pay all principal and interest represented by the Certificates when due. Annual debt service requirements to maturity for these Certificates of Participation are as follows:

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Debt, (Continued)

Certificates of Participation, (Continued)

| Fiscal Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|--------------------|------------------|-------------------|
| 2011 | 225,000 | 320,268 | 545,268 |
| 2012 | 235,000 | 313,828 | 548,828 |
| 2013 | 240,000 | 307,178 | 547,178 |
| 2014 | 245,000 | 300,143 | 545,143 |
| 2015 | 255,000 | 292,388 | 547,388 |
| 2016-2020 | 1,400,000 | 1,324,795 | 2,724,795 |
| 2021-2025 | 1,685,000 | 1,032,150 | 2,717,150 |
| 2026-2030 | 2,060,000 | 645,734 | 2,705,734 |
| 2031-2034 | <u>1,980,000</u> | <u>172,550</u> | <u>2,152,550</u> |
| | <u>\$8,325,000</u> | <u>4,709,034</u> | <u>13,034,034</u> |

(6) Risk Management

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible;

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(6) Risk Management, (Continued)

(4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsistence sub-limit is comprised of \$10,000,000 of reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retroactive deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

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

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

Property Insurance - The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City currently has all-risk property insurance protection for \$8,470,231. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance, which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance - The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City's property currently has earthquake protection for \$2,861,382. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(6) Risk Management, (Continued)

Crime Insurance – The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$25,000 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance – The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant users liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

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

Complete financial statements may be obtained from the California Joint Powers Insurance Authority, 8081 Moody Street, La Palma, California, 90623.

(7) Excess of Expenditures Over Appropriations

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

| | <u>Final Budget</u> | <u>Actual</u> | <u>Excess over Appropriations</u> |
|---|---------------------|---------------|-----------------------------------|
| Special Revenue Funds: | | | |
| Supplemental Law Enforcement Grant Fund | \$100,500 | \$124,235 | \$23,735 |
| Disaster Grants Fund | | 82,361 | 82,361 |

These amounts were covered in their respected overall department budgets as is required by the City's budgetary policy. The amounts were fully covered by grant revenues and City matches.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(8) Classification of Net Assets and Fund Balances

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets and related long-term debt used to acquire the assets reduces this category.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the City that are not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced, or eliminated by similar actions. Following is a summary of reservations of fund balances and components of unreserved fund balances at June 30, 2010.

Fund Balances

Reserves for advances to other funds and prepaids are established to show that certain assets are already committed to other purposes and are not available for discretionary expenditures.

Reserves for encumbrances represent commitments related to unperformed contracts for services and undelivered goods.

Reserves for debt service represent resources legally restricted to the payment of long-term debt principal and interest maturing in future years.

Unreserved-undesigned represents the fund balance remaining after reduction for reserved and designated fund balances.

Reserved fund balances and fund balances available for new appropriations at June 30, 2010 were as follows:

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(8) Classification of Net Assets and Fund Balances, (Continued)

| | <u>General Fund</u> | <u>Gas Tax Fund</u> | <u>Opportunities Study Area Capital Project Fund</u> | <u>Redevelopment Agency Debt Service Fund</u> | <u>Non-major Governmental Funds</u> | <u>Totals</u> |
|------------------------------------|-------------------------|-----------------------------|--|---|---|----------------------|
| Reserved for: | | | | | | |
| Encumbrances | \$ 879,929 | | \$ 97,923 | | \$ 23,738 | \$ 1,001,590 |
| Noncurrent receivable | | | | \$21,464 | | 21,464 |
| Prepaid items | 164,387 | | | | 2,938 | 167,325 |
| Advances to other funds | 1,138,143 | | | | 990,152 | 2,128,295 |
| Land held for resale | | | | | 326,000 | 326,000 |
| Debt service | | | | | 347 | 347 |
| Subtotal | <u>2,182,459</u> | | <u>97,923</u> | <u>21,464</u> | <u>1,343,175</u> | <u>3,645,021</u> |
| Unreserved: | | | | | | |
| Designated: | | | | | | |
| Emergencies | 3,000,000 | | | | | 3,000,000 |
| Economic contingency | 4,239,379 | | | | | 4,239,379 |
| Redevelopment agency projects | 1,000,000 | | | | | 1,000,000 |
| Laguna Hills housing set- aside | | | | | 87,297 | 87,297 |
| Cable contract set- aside | 950,854 | | | | | 950,854 |
| Continuing appropriations | 11,221,893 | | 16,444,869 | | 4,192,630 | 31,859,392 |
| Undesignated reserve | <u>8,478,758</u> | | | | | <u>8,478,758</u> |
| Total designated | 28,890,884 | | 16,444,869 | | 4,279,927 | 49,615,680 |
| Unreserved, undesignated | <u>44,231,493</u> | <u>519,030</u> | | <u>3,562,986</u> | <u>3,377,232</u> | <u>51,690,741</u> |
| Total unreserved fund balance | <u>73,122,377</u> | <u>519,030</u> | <u>16,444,869</u> | <u>3,562,986</u> | <u>7,657,159</u> | <u>101,306,421</u> |
| Total fund balances | <u>\$75,304,836</u> | <u>\$519,030</u> | <u>\$16,542,792</u> | <u>\$3,584,450</u> | <u>\$9,000,334</u> | <u>\$104,951,442</u> |

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(9) Operating Leases

The City leases the City Hall facility and other equipment under noncancelable operating leases. The future minimum lease payments for these leases for the next four years are as follows:

| Year Ending <u>June 30</u> | <u>Amount</u> |
|-------------------------------|--------------------|
| 2011 | \$ 753,081 |
| 2012 | 755,020 |
| 2013 | 726,579 |
| 2014 | <u>726,226</u> |
| Total | <u>\$2,960,906</u> |

The following schedule shows the composition of total rental expenditures during the year-end June 30, 2010 for all operating leases except those with terms of a month or less that were not renewed:

| | |
|------------------------|------------------|
| City Hall lease | \$712,877 |
| Office equipment lease | <u>38,056</u> |
| | <u>\$750,933</u> |

(10) Joint Venture

In January 1995, the City of Lake Forest entered into a joint powers agreement with Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda, and the County of Orange to create the Orange County Fire Authority (Authority). Since the creation of the Authority, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, and Westminster joined the Authority as members eligible for fire protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services, including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each city and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(10) Joint Venture, (Continued)

pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered "cash contract cities" and, accordingly, make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2010. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Summarized information of the Authority for the fiscal year ended June 30, 2010 (the most recent data available) is as follows:

| | June 30, 2010 <u>(Audited)</u> |
|--------------------------|-----------------------------------|
| Total assets | \$383,473,164 |
| Total liabilities | <u>(82,166,911)</u> |
| Net assets | <u>\$301,306,253</u> |
| Total revenue | 251,842,703 |
| Total expense | <u>(245,336,424)</u> |
| Net change in net assets | <u>\$ 6,506,279</u> |

Complete financial statements may be obtained from the Orange County Fire Authority, 180 S. Water Street, Orange, California 92866.

(11) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The plan is available to all employees until termination, retirement, death or unforeseeable emergency. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries and the assets shall not be diverted for any other purpose. Each participant directs the investments in their respective accounts and the City has no liability for any losses that may be incurred. Pursuant to federal legislation, the Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the City. For this reason, the assets and related liabilities of the plan have been removed from the financial records of the City and are not included in the accompanying financial statements.

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(12) Pension Plan

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by PERS. Copies of the PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Contributions and Funding Policy

Participants are required to contribute 7% of their annual covered salary. During the fiscal year, the City made the contributions required of City employees on their behalf and for their accounts. Benefit provisions and all other requirements are established by State statute and by benefit provided by the City through local ordinance or resolution. The contribution requirements of plan members and the City are established and may be amended by City Council. The City's contributions to the plan for the years ending June 30, 2008, 2009, and 2010 were \$513,593, \$571,832, and \$595,017, respectively, and were equal to the required contributions for each year.

(13) Contingencies

Litigation

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 will have no material adverse effect on the financial position of the City.

Federal and State Grants

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

CITY OF LAKE FOREST

Notes to Basic Financial Statements

(Continued)

(14) Restatement of Beginning Net Assets

Beginning net assets reported for governmental activities was restated as of July 1, 2009. The City expensed the cost of land purchased for redevelopment purposes in prior years since it was originally purchased with Community Development Block Grant funds. In addition, the City reconciled its capital assets and accumulated depreciation balances with detailed listings and an adjustment to the beginning balances was needed. The table below demonstrates the effect of these corrections:

| | <u>Governmental Activities</u> | <u>Low and Moderate Income Housing Special Revenue Fund</u> |
|--|------------------------------------|---|
| Net assets/fund balance at beginning of year, as previously reported | \$ 279,585,016 | \$ 3,715,315 |
| Adjustment to correct capital assets and accumulated depreciation | (334,243) | |
| Adjustment to record land held for resale | <u>326,000</u> | <u>326,000</u> |
| Net assets/fund balance at beginning of year, as previously restated | <u>\$ 279,576,773</u> | <u>\$ 4,041,315</u> |

(15) Subsequent Event

On November 22, 2010, the City paid Baker Ranch Properties \$12,624,000 for the purchase of 15 acres of land that will be used in the future development of a sports park. The purchase was funded by interfund transfers from the City's General and Capital Improvement Projects Funds.

CITY OF LAKE FOREST

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Budgeted Amounts | | Actual | Variances with | 2009 Actual |
|--|-----------------------|----------------------|----------------------|--|----------------------|
| | Original | Final | | Final Budget Positive (Negative) | |
| Revenues: | | | | | |
| Taxes | \$ 29,247,900 | \$ 27,837,900 | \$ 28,201,561 | \$ 363,661 | \$ 30,508,613 |
| Licenses and permits | 360,000 | 360,000 | 513,001 | 153,001 | 483,310 |
| Intergovernmental | 2,876,700 | 4,898,611 | 2,317,356 | (2,581,255) | 604,114 |
| Charges for services | 504,100 | 853,100 | 1,080,002 | 226,902 | 812,609 |
| Fines and forfeitures | 520,000 | 415,000 | 487,085 | 72,085 | 556,560 |
| Investment income | 1,584,000 | 1,084,000 | 1,051,217 | (32,783) | 2,280,619 |
| Other | 50,900 | 66,900 | 229,307 | 162,407 | 93,998 |
| Total revenues | 35,143,600 | 35,515,511 | 33,879,529 | (1,635,982) | 35,339,823 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government: | | | | | |
| City council | 247,000 | 242,000 | 204,603 | 37,397 | 214,162 |
| City manager | 925,700 | 875,600 | 875,739 | (139) | 874,917 |
| City attorney | 835,700 | 1,641,700 | 1,640,748 | 952 | 1,468,509 |
| City clerk | 648,300 | 562,200 | 532,932 | 29,268 | 709,585 |
| Finance | 1,154,400 | 1,022,400 | 985,537 | 36,863 | 1,210,972 |
| Public safety: | | | | | |
| Police services | 13,266,000 | 12,971,000 | 12,818,213 | 152,787 | 12,633,494 |
| Public works | 7,059,600 | 6,996,702 | 6,772,641 | 224,061 | 6,774,758 |
| Development services | 2,382,300 | 2,755,000 | 2,646,858 | 108,142 | 2,548,905 |
| Management services | 1,890,400 | 1,714,900 | 1,606,047 | 108,853 | 1,746,164 |
| Community services | 2,976,200 | 2,747,833 | 2,733,358 | 14,475 | 2,548,724 |
| Redevelopment/economic development | 360,300 | 371,700 | 302,791 | 68,909 | 288,151 |
| Capital outlay | 4,631,700 | 18,597,097 | 4,486,272 | 14,110,825 | 3,757,723 |
| Total expenditures | 36,377,600 | 50,498,132 | 35,605,739 | 14,892,393 | 34,776,064 |
| Excess (deficiency) of revenues over (under) expenditures | (1,234,000) | (14,982,621) | (1,726,210) | 13,256,411 | 563,759 |
| Other financing sources (uses): | | | | | |
| Transfers in | 64,000 | 64,000 | 64,870 | 870 | 5,228 |
| Transfers out | 277,195,195 | (21,610,500) | (21,571,954) | 38,546 | (325,751) |
| Total other financing sources (uses) | 277,259,195 | (21,546,500) | (21,507,084) | 39,416 | (320,523) |
| Net change in fund balances | 276,025,195 | (36,529,121) | (23,233,294) | 13,295,827 | 243,236 |
| Fund balances, beginning | 98,538,130 | 98,538,130 | 98,538,130 | | 98,294,894 |
| Fund balances, ending | \$ 374,563,325 | \$ 62,009,009 | \$ 75,304,836 | \$ 13,295,827 | \$ 98,538,130 |

CITY OF LAKE FOREST
Major Special Revenue Fund

Gas Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Budgeted Amounts | | Actual | Variances with Final Budget Positive | 2009 |
|--|-------------------|-------------------|-------------------|--|--------------------|
| | Original | Final | | (Negative) | Actual |
| Revenues: | | | | | |
| Intergovernmental | \$ 1,867,500 | \$ 2,987,150 | \$ 2,741,044 | \$ (246,106) | \$ 1,976,007 |
| Investment income | 25,000 | 25,000 | 15,966 | (9,034) | 50,433 |
| Other | | | 33,736 | 33,736 | |
| Total revenues | <u>1,892,500</u> | <u>3,012,150</u> | <u>2,790,746</u> | <u>(221,404)</u> | <u>2,026,440</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public works | 1,797,000 | 1,797,000 | 1,875,572 | (78,572) | 1,853,312 |
| Capital outlay | | 1,119,650 | 772,519 | 347,131 | 1,594,572 |
| Total expenditures | <u>1,797,000</u> | <u>2,916,650</u> | <u>2,648,091</u> | <u>268,559</u> | <u>3,447,884</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>95,500</u> | <u>95,500</u> | <u>142,655</u> | <u>47,155</u> | <u>(1,421,444)</u> |
| Other financing uses: | | | | | |
| Transfers out | | (100,000) | | 100,000 | |
| Total other financing uses | | <u>(100,000)</u> | | <u>100,000</u> | |
| Net change in fund balances | 95,500 | (4,500) | 142,655 | 147,155 | (1,421,444) |
| Fund balances, beginning of year | <u>376,375</u> | <u>376,375</u> | <u>376,375</u> | | <u>1,797,819</u> |
| Fund balances, end of year | <u>\$ 471,875</u> | <u>\$ 371,875</u> | <u>\$ 519,030</u> | <u>\$ 147,155</u> | <u>\$ 376,375</u> |

CITY OF LAKE FOREST

Note to Required Supplementary Information

Year Ended June 30, 2010

(1) Budgetary Policy and Control

Budgetary Basis of Accounting

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, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a department. The City Manager is authorized to transfer appropriations within and between departments/projects provided there is no net increase in total appropriations at the department level.

Budgeted amounts presented are as originally adopted and as further amended by the City Council. Supplemental appropriations for the fiscal year ended June 30, 2010, were \$19,060,575.

Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Council for carryover. These commitments are reported as a designation of fund balance. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover.

CITY OF LAKE FOREST
Major Capital Projects Fund

Opportunities Study Area Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variances with Final Budget Positive (Negative)</u> | <u>2009 Actual</u> |
|--|-------------------------|----------------------|--|-----------------------------|
| Expenditures: | | | | |
| Capital outlay | \$ 20,244,040 | \$ 2,426,949 | \$ 17,817,091 | \$ 567,923 |
| Total expenditures | <u>20,244,040</u> | <u>2,426,949</u> | <u>17,817,091</u> | <u>567,923</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(20,244,040)</u> | <u>(2,426,949)</u> | <u>17,817,091</u> | <u>(567,923)</u> |
| Other financing sources: | | | | |
| Transfers in | <u>19,588,000</u> | <u>19,588,000</u> | <u> </u> | <u> </u> |
| Total other financing sources | <u>19,588,000</u> | <u>19,588,000</u> | <u> </u> | <u> </u> |
| Net change in fund balances | (656,040) | 17,161,051 | 17,817,091 | (567,923) |
| Fund balances (deficit), beginning of year | <u>(618,259)</u> | <u>(618,259)</u> | <u> </u> | <u>(50,336)</u> |
| Fund balances (deficit), end of year | <u>\$ (1,274,299)</u> | <u>\$ 16,542,792</u> | <u>\$ 17,817,091</u> | <u>\$ (618,259)</u> |

CITY OF LAKE FOREST

Major Debt Service Fund

Redevelopment Agency Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|--|---------------------|---------------------|--|---------------------|
| Revenues: | | | | |
| Taxes | \$ 4,410,600 | \$ 4,410,685 | \$ 85 | \$ 4,162,842 |
| Investment income | 110,000 | 82,753 | (27,247) | 169,984 |
| Other | | 27,063 | 27,063 | |
| Total revenues | <u>4,520,600</u> | <u>4,520,501</u> | <u>(99)</u> | <u>4,332,826</u> |
| Expenditures: | | | | |
| Debt service: | | | | |
| Interest and fiscal charges | 30,000 | 11,132 | 18,868 | 30,090 |
| Pass-through payments | 1,596,700 | 1,602,447 | (5,747) | 1,486,049 |
| SERAF payment to State | <u>1,209,500</u> | <u>1,209,535</u> | <u>(35)</u> | |
| Total expenditures | <u>2,836,200</u> | <u>2,823,114</u> | <u>13,086</u> | <u>1,516,139</u> |
| Excess (deficiency) of revenues over (under) expenditures | 1,684,400 | 1,697,387 | 12,987 | 2,816,687 |
| Other financing uses: | | | | |
| Transfers out | <u>(2,482,300)</u> | <u>(1,302,723)</u> | <u>1,179,577</u> | <u>(1,299,952)</u> |
| Net change in fund balances | (797,900) | 394,664 | 1,192,564 | 1,516,735 |
| Fund balances, beginning of year | <u>3,189,786</u> | <u>3,189,786</u> | | <u>1,673,051</u> |
| Fund balances, end of year | <u>\$ 2,391,886</u> | <u>\$ 3,584,450</u> | <u>\$ 1,192,564</u> | <u>\$ 3,189,786</u> |

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Measure M Fund - This fund is used to account for the City's share of the sales tax increase authorized by Orange County's Measure "M". The monies are legally restricted for the acquisition, construction and improvement of public streets.

Air Quality Improvement Fund – This fund is used to account for the City's share of vehicle registration fees collected under AB2766 that the State of California has allocated to address air quality concerns in Southern California. These monies are to be used to fund programs to reduce air pollution from mobile sources such as cars, trucks, and buses.

Supplemental Law Enforcement Grant Fund – This fund is used to account for receipts and expenditures of the State funded Supplemental Law Enforcement Program.

Asset Forfeiture Fund – This fund is used to account for receipts and expenditures associated with asset forfeitures.

Community Development Block Grant Fund – This fund is used to account for receipts and expenditures made under the federal Community Development Block Grant program.

Low and Moderate Income Housing Fund – This fund is used to account for the housing set-aside requirement for the tax increment received within the Redevelopment Agency.

Etnies Skatepark Fund – This fund is used to account for receipts and expenditures associated with Skatepark operations.

Disaster Grants Fund – This fund is used to account for funds received from the Federal Emergency Management Agency and the State of California Office of Emergency for events that are declared disasters.

Justice Assistance Grant Fund – This fund is used to account for receipts and expenditures made under the federal Justice Assistance Grant program.

Capital Projects Funds

Redevelopment Agency Fund - This fund is used to account for the capital projects activities of the Lake Forest Redevelopment Agency.

Lake Forest Transportation Mitigation Fund – This fund accounts for a development impact fee program to improve specific intersections City-wide.

Park Development Fund – This fund is used to account for developer impact fees and other funds received by the City for the specific purpose of constructing new parks or renovating existing parks.

Affordable Housing Fund – This fund is used to account for development impact fees for affordable housing purposes and related capital projects.

Debt Service Fund

Financing Authority Fund – This fund is used to account for debt service activity for the 2004 Certificates of Participation.

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CITY OF LAKE FOREST
Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2010

(With Comparative Totals For June 30, 2009)

| | Special Revenue Funds | | | | | | |
|--------------------------------------|-----------------------|-------------------|------------------|------------------|---------------------|---------------------|------------------|
| | Supplemental | | | | | | |
| | Air Quality | Law | Asset | Community | Low and | Etnies | |
| <u>Assets</u> | Improvement | Enforcement | Forfeiture | Development | Moderate | Skatepark | |
| | Measure M | Grant | | Block Grant | Income Housing | | |
| Cash and investments | \$ 1,594,401 | \$ 621,829 | | \$ 11,320 | \$ 117,979 | \$ 2,872,857 | \$ 10,029 |
| Receivables: | | | | | | | |
| Accounts | | | | 15,163 | 540 | | 1,332 |
| Grants | | \$ 33,735 | | 33,450 | | | |
| Loans | | | | 1,069,341 | 313,145 | | |
| Due from other governments | 23,823 | | | | | | |
| Prepaid items | | | | | 1,469 | | |
| Advances to other funds | | | | | 990,152 | | |
| Land held for resale | | | | | 326,000 | | |
| Restricted cash and investments | | | | | | | |
| Total assets | <u>\$ 1,594,401</u> | <u>\$ 645,652</u> | <u>\$ 33,735</u> | <u>\$ 11,320</u> | <u>\$ 1,235,933</u> | <u>\$ 4,504,163</u> | <u>\$ 11,361</u> |
| <u>Liabilities and Fund Balances</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 1,600 | | | \$ 39,058 | \$ 6,147 | | \$ 11,361 |
| Accrued salaries and benefits | | | | | | | |
| Retentions payable | | | | | | | |
| Due to other funds | | \$ 33,735 | | | | | |
| Deferred revenue | | | | 1,069,341 | 313,145 | | |
| Total liabilities | <u>1,600</u> | <u>33,735</u> | | <u>1,108,399</u> | <u>319,292</u> | | <u>11,361</u> |
| Fund balances (deficit): | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances | | | | 11,540 | | | |
| Prepaid items | | | | | 1,469 | | |
| Advances to other funds | | | | | 990,152 | | |
| Land held for resale | | | | | 326,000 | | |
| Debt service | | | | | | | |
| Unreserved, reported in: | | | | | | | |
| Special revenue funds | 1,592,801 | 645,652 | | 11,320 | 115,994 | 2,867,250 | |
| Capital project funds | | | | | | | |
| Total fund balances (deficit) | <u>1,592,801</u> | <u>645,652</u> | <u>11,320</u> | <u>127,534</u> | <u>4,184,871</u> | | |
| Total liabilities and fund balances | <u>\$ 1,594,401</u> | <u>\$ 645,652</u> | <u>\$ 33,735</u> | <u>\$ 11,320</u> | <u>\$ 1,235,933</u> | <u>\$ 4,504,163</u> | <u>\$ 11,361</u> |

| Special Revenue Funds | | Capital Projects Funds | | | | Debt Service Fund | Total Non-Major Governmental Funds | |
|-----------------------|--------------------------|------------------------|---------------------------------------|-------------------|--------------------|---------------------|------------------------------------|---------------------|
| Disaster Grants | Justice Assistance Grant | Redevelopment Agency | Lake Forest Transportation Mitigation | Park Development | Affordable Housing | Financing Authority | 2010 | 2009 |
| | | \$ 37,211 | \$ 2,165,237 | \$ 215,310 | \$ 51,772 | | \$ 7,697,945 | \$ 6,201,464 |
| | | 4 | | | | | 17,039 | 1,523 |
| \$ 67,949 | \$ 10,912 | | | | | | 146,046 | 249,509 |
| | | | | | | | 1,382,486 | 1,074,522 |
| | | 1,469 | | | | | 23,823 | 24,484 |
| | | | | | | | 2,938 | 14,825 |
| | | | | | | | 990,152 | |
| | | | | | | | 326,000 | |
| | | | | | | \$ 347 | 347 | 347 |
| <u>\$ 67,949</u> | <u>10,912</u> | <u>\$ 38,684</u> | <u>\$ 2,165,237</u> | <u>\$ 215,310</u> | <u>\$ 51,772</u> | <u>\$ 347</u> | <u>\$ 10,586,776</u> | <u>\$ 7,566,674</u> |
| | \$ 522 | \$ 38,684 | \$ 688 | | | | \$ 98,060 | \$ 229,940 |
| \$ 61,771 | 10,390 | | | | | | 105,896 | 128,923 |
| | | | | | | | 1,382,486 | 1,074,522 |
| <u>61,771</u> | <u>10,912</u> | <u>38,684</u> | <u>688</u> | | | | <u>1,586,442</u> | <u>1,433,385</u> |
| | | 12,198 | | | | | 23,738 | 97,241 |
| | | 1,469 | | | | | 2,938 | 14,825 |
| | | | | | | | 990,152 | |
| | | | | | | | 326,000 | |
| | | | | | | 347 | 347 | 347 |
| 6,178 | | (13,667) | 2,164,549 | 215,310 | 51,772 | | 5,239,195 | 6,121,788 |
| | | | | | | | 2,417,964 | (100,912) |
| <u>6,178</u> | | | <u>2,164,549</u> | <u>215,310</u> | <u>51,772</u> | <u>347</u> | <u>9,000,334</u> | <u>6,133,289</u> |
| <u>\$ 67,949</u> | <u>\$ 10,912</u> | <u>\$ 38,684</u> | <u>\$ 2,165,237</u> | <u>\$ 215,310</u> | <u>\$ 51,772</u> | <u>\$ 347</u> | <u>\$ 10,586,776</u> | <u>\$ 7,566,674</u> |

CITY OF LAKE FOREST
Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Special Revenue Funds | | | | | | |
|--|-----------------------|----------------------------|---|---------------------|---|--|------------------|
| | Measure M | Air Quality Improvement | Supplemental Law Enforcement Grant | Asset Forfeiture | Community Development Block Grant | Low and Moderate Income Housing | |
| Revenues: | | | | | | | |
| Taxes | | | | | | \$ 990,152 | |
| Intergovernmental | \$ 805,624 | \$ 88,707 | \$ 124,235 | | \$ 397,429 | | |
| Charges for services | | | | | | | \$ 80,747 |
| Investment income | 16,556 | 7,011 | | \$ 123 | 1,346 | 45,051 | |
| Other | 4,309 | | | | 49,181 | 17,315 | 9,723 |
| Total revenues | <u>826,489</u> | <u>95,718</u> | <u>124,235</u> | <u>123</u> | <u>447,956</u> | <u>1,052,518</u> | <u>90,470</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | | 525 | | | | 18,184 | |
| Public safety | | | 124,235 | | | | |
| Public works | | | | | | | |
| Development services | | | | | | | |
| Community services | | | | | | | 351,533 |
| Redevelopment/economic development | | | | | 362,184 | 390,778 | |
| Capital outlay | 397,133 | | | | 66,277 | 500,000 | 2,900 |
| Debt service: | | | | | | | |
| Principal payments | | | | | | | |
| Interest and fiscal charges | | | | | | | |
| Total expenditures | <u>397,133</u> | <u>525</u> | <u>124,235</u> | | <u>428,461</u> | <u>908,962</u> | <u>354,433</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>429,356</u> | <u>95,193</u> | | <u>123</u> | <u>19,495</u> | <u>143,556</u> | <u>(263,963)</u> |
| Other financing sources: | | | | | | | |
| Transfers in | | | | | | | 263,963 |
| Transfers out | | (64,000) | | | | | |
| Sale of capital assets | | | | | | | |
| Total other financing sources | | <u>(64,000)</u> | | | | | <u>263,963</u> |
| Net change in fund balances | 429,356 | 31,193 | | 123 | 19,495 | 143,556 | |
| Fund balances (deficit), beginning of year, as restated | <u>1,163,445</u> | <u>614,459</u> | | <u>11,197</u> | <u>108,039</u> | <u>4,041,315</u> | |
| Fund balances (deficit), end of year | <u>\$ 1,592,801</u> | <u>\$ 645,652</u> | | <u>\$ 11,320</u> | <u>\$ 127,534</u> | <u>\$ 4,184,871</u> | |

| Special Revenue Funds | | Capital Projects Funds | | | | Debt Service Fund | Total Non-Major Governmental Funds | |
|-----------------------|--------------------------|------------------------|---------------------------------------|---------------------|--------------------|---------------------|--|---|
| Disaster Grants | Justice Assistance Grant | Redevelopment Agency | Lake Forest Transportation Mitigation | Park Development | Affordable Housing | Financing Authority | 2010 | 2009 |
| \$ 68,819 | \$ 10,912 | | | \$ 224,838 6,529 | \$ 51,704 68 | | \$ 990,152 1,495,726 357,289 76,684 80,528 | \$ 923,613 2,218,285 51,258 153,287 127,944 |
| <u>68,819</u> | <u>10,912</u> | | | <u>231,367</u> | <u>51,772</u> | | <u>3,000,379</u> | <u>3,474,387</u> |
| | | 152,855 | | | | | 171,564 | 110,189 |
| 82,361 | 10,912 | 30,117 | | | | | 135,147 | 75,843 |
| | | 115,705 | | | | | 112,478 | |
| | | | | | | | 115,705 | 128,327 |
| | | | | | | | 351,533 | 398,817 |
| | | 422,135 | | | | | 1,175,097 | 1,167,311 |
| | | 33,544 | 71,395 | | | | 1,071,249 | 1,778,421 |
| | | | | | | 220,000 | 220,000 | 215,000 |
| | | | | | | 328,368 | 328,368 | 334,458 |
| <u>82,361</u> | <u>10,912</u> | <u>754,356</u> | <u>71,395</u> | | | <u>548,368</u> | <u>3,681,141</u> | <u>4,208,366</u> |
| <u>(13,542)</u> | | <u>(754,356)</u> | <u>(71,395)</u> | <u>231,367</u> | <u>51,772</u> | <u>(548,368)</u> | <u>(680,762)</u> | <u>(733,979)</u> |
| 20,590 (870) | | 754,356 | 2,291,100 | (591,700) | | 548,368 | 3,878,377 (656,570) | 1,625,703 (5,228) |
| <u>19,720</u> | | <u>754,356</u> | <u>2,291,100</u> | <u>(591,700)</u> | | <u>548,368</u> | <u>3,221,807</u> | <u>1,620,475</u> |
| 6,178 | | | 2,219,705 | (360,333) | 51,772 | | 2,541,045 | 886,496 |
| | | | (55,156) | 575,643 | | 347 | 6,459,289 | 5,246,793 |
| <u>\$ 6,178</u> | | | <u>\$ 2,164,549</u> | <u>\$ 215,310</u> | <u>\$ 51,772</u> | <u>\$ 347</u> | <u>\$ 9,000,334</u> | <u>\$ 6,133,289</u> |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Measure M Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|--|--------------------|---------------------|--|---------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 760,000 | \$ 805,624 | \$ 45,624 | \$ 1,101,472 |
| Investment income | 25,000 | 16,556 | (8,444) | 31,357 |
| Other | <u>4,309</u> | <u>4,309</u> | <u>4,309</u> | <u>38,525</u> |
| Total revenues | <u>785,000</u> | <u>826,489</u> | <u>41,489</u> | <u>1,171,354</u> |
| Expenditures: | | | | |
| Capital outlay | <u>2,021,944</u> | <u>397,133</u> | <u>1,624,811</u> | <u>1,024,146</u> |
| Total expenditures | <u>2,021,944</u> | <u>397,133</u> | <u>1,624,811</u> | <u>1,024,146</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,236,944)</u> | <u>429,356</u> | <u>1,666,300</u> | |
| Other financing sources: | | | | |
| Transfers in | <u>100,000</u> | <u> </u> | <u>(100,000)</u> | <u> </u> |
| To other financing sources | <u>100,000</u> | <u> </u> | <u>(100,000)</u> | <u> </u> |
| Net change in fund balances | (1,136,944) | 429,356 | 1,566,300 | 147,208 |
| Fund balances, beginning of year | <u>1,163,445</u> | <u>1,163,445</u> | <u> </u> | <u>1,016,237</u> |
| Fund balances, end of year | <u>\$ 26,501</u> | <u>\$ 1,592,801</u> | <u>\$ 1,566,300</u> | <u>\$ 1,163,445</u> |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Air Quality Improvement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|--|-------------------|-------------------|--|-------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 93,000 | \$ 88,707 | \$ (4,293) | \$ 91,469 |
| Investment income | <u>9,000</u> | <u>7,011</u> | <u>(1,989)</u> | <u>13,752</u> |
| Total revenues | <u>102,000</u> | <u>95,718</u> | <u>(6,282)</u> | <u>105,221</u> |
| Expenditures | | | | |
| Curent: | | | | |
| General government | 10,000 | 525 | 9,475 | |
| Capital outlay | <u> </u> | <u> </u> | <u> </u> | <u>37,554</u> |
| Total expenditures | <u>10,000</u> | <u>525</u> | <u>9,475</u> | <u>37,554</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>92,000</u> | <u>95,193</u> | <u>3,193</u> | <u>67,667</u> |
| Other financing sources: | | | | |
| Transfers out | <u>(64,000)</u> | <u>(64,000)</u> | <u> </u> | <u> </u> |
| Total other financing sources | <u>(64,000)</u> | <u>(64,000)</u> | <u> </u> | <u> </u> |
| Net change in fund balances | 28,000 | 31,193 | 3,193 | 67,667 |
| Fund balances, beginning of year | <u>614,459</u> | <u>614,459</u> | <u> </u> | <u>546,792</u> |
| Fund balances, end of year | <u>\$ 642,459</u> | <u>\$ 645,652</u> | <u>\$ 3,193</u> | <u>\$ 614,459</u> |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Supplemental Law Enforcement Grant Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|----------------------------------|-----------------|------------|--|----------------|
| Revenues: | | | | |
| Intergovernmental | \$ 100,000 | \$ 124,235 | \$ 24,235 | \$ 75,843 |
| Investment income | 500 | | (500) | |
| Total revenues | 100,500 | 124,235 | 23,735 | 75,843 |
| Expenditures | | | | |
| Current: | | | | |
| Public safety | 100,500 | 124,235 | (23,735) | 75,843 |
| Net change in fund balances | | | | |
| Fund balances, beginning of year | | | | |
| Fund balances, end of year | \$ | \$ | \$ | \$ |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Asset Forfeiture Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variances with Final Budget Positive (Negative)</u> | <u>2009 Actual</u> |
|----------------------------------|-------------------------|------------------|--|------------------------|
| Revenues: | | | | |
| Investment income | \$ 200 | \$ 123 | \$ (77) | \$ 267 |
| Net change in fund balances | <u>200</u> | <u>123</u> | <u>(77)</u> | <u>267</u> |
| Fund balances, beginning of year | <u>11,197</u> | <u>11,197</u> | <u></u> | <u>10,930</u> |
| Fund balances, end of year | <u>\$ 277,195,195</u> | <u>\$ 11,320</u> | <u>\$ (77)</u> | <u>\$ 11,197</u> |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Community Development Block Grant Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|--------------------------------------|-----------------------|-----------------------|--|-----------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 972,070 | \$ 397,429 | \$ (574,641) | \$ 944,273 |
| Investment income | 100 | 1,346 | 1,246 | 2,522 |
| Other | <u>30,000</u> | <u>49,181</u> | <u>19,181</u> | <u>63,983</u> |
| Total revenues | <u>1,002,170</u> | <u>447,956</u> | <u>(554,214)</u> | <u>1,010,778</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Development services | | | | 100,000 |
| Redevelopment/economic development | 347,200 | 362,184 | (14,984) | 315,739 |
| Capital outlay | <u>627,270</u> | <u>66,277</u> | <u>560,993</u> | <u>593,365</u> |
| Total expenditures | <u>974,470</u> | <u>428,461</u> | <u>546,009</u> | <u>1,009,104</u> |
| Net change in fund balances | 27,700 | 19,495 | (8,205) | 1,674 |
| Fund balances, beginning of year | <u>108,039</u> | <u>108,039</u> | <u> </u> | <u>106,365</u> |
| Fund balances, end of year | <u>\$ 135,739</u> | <u>\$ 127,534</u> | <u>\$ (8,205)</u> | <u>\$ 108,039</u> |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Low and Moderate Income Housing Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|--|---------------------|---------------------|--|---------------------|
| Revenues: | | | | |
| Taxes | \$ 990,100 | \$ 990,152 | \$ 52 | \$ 923,613 |
| Investment income | 50,000 | 45,051 | (4,949) | 91,657 |
| Other | <u> </u> | <u>17,315</u> | <u>17,315</u> | <u> </u> |
| Total revenues | <u>1,040,100</u> | <u>1,052,518</u> | <u>12,418</u> | <u>1,015,270</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 40,000 | 18,184 | 21,816 | |
| Redevelopment/economic development | 434,200 | 390,778 | 43,422 | 304,166 |
| Capital outlay | <u>900,000</u> | <u>500,000</u> | <u>400,000</u> | <u> </u> |
| Total expenditures | <u>1,374,200</u> | <u>908,962</u> | <u>465,238</u> | <u>304,166</u> |
| Net change in fund balances | (334,100) | 143,556 | 477,656 | 711,104 |
| Fund balances, beginning of year, as restated | <u>4,041,315</u> | <u>4,041,315</u> | <u> </u> | <u>3,004,211</u> |
| Fund balances, end of year | <u>\$ 3,707,215</u> | <u>\$ 4,184,871</u> | <u>\$ 477,656</u> | <u>\$ 3,715,315</u> |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Etnies Skatepark Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|--|-----------------|-----------|--|----------------|
| Revenues: | | | | |
| Charges for services | \$ 53,200 | \$ 80,747 | \$ 27,547 | \$ 51,258 |
| Other | 9,000 | 9,723 | 723 | 24,175 |
| Total revenues | 62,200 | 90,470 | 28,270 | 75,433 |
| Expenditures: | | | | |
| Current: | | | | |
| Community services | 385,300 | 351,533 | 33,767 | 398,817 |
| Capital outlay | 385,300 | 2,900 | (2,900) | 2,367 |
| Total expenditures | 385,300 | 354,433 | 30,867 | 401,184 |
| Excess (deficiency) of revenues over (under) expenditures | (323,100) | (263,963) | 59,137 | (325,751) |
| Other financing sources: | | | | |
| Transfers in | 323,100 | 263,963 | (59,137) | 325,751 |
| Total other financing sources | 323,100 | 263,963 | (59,137) | 325,751 |
| Net change in fund balances | | | | |
| Fund balances, beginning of year | _____ | _____ | _____ | _____ |
| Fund balances, end of year | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

CITY OF LAKE FOREST
Non-Major Special Revenue Fund

Disaster Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|--|-----------------|-----------|--|----------------|
| Revenues: | | | | |
| Intergovernmental | \$ _____ | \$ 68,819 | \$ 68,819 | \$ 5,228 |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | _____ | 82,361 | (82,361) | _____ |
| Total expenditures | _____ | 82,361 | (82,361) | _____ |
| Excess (deficiency) of revenues over (under) expenditures | _____ | (13,542) | (13,542) | 5,228 |
| Other financing sources: | | | | |
| Transfers in | | 20,590 | 20,590 | |
| Transfers out | _____ | (870) | (870) | (5,228) |
| Total other financing sources | _____ | 19,720 | 19,720 | (5,228) |
| Net change in fund balances | | 6,178 | 6,178 | |
| Fund balances, beginning of year | _____ | _____ | _____ | _____ |
| Fund balances, end of year | \$ _____ | \$ 6,178 | \$ 6,178 | \$ _____ |

CITY OF LAKE FOREST
 Non-Major Special Revenue Fund

Justice Assistance Grant Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variances with Final Budget Positive (Negative)</u> | <u>2009 Actual</u> |
|----------------------------------|-------------------------|-----------------|--|------------------------|
| Revenues: | | | | |
| Intergovernmental | \$ 40,000 | \$ 10,912 | \$ 29,088 | \$ _____ |
| Total revenues | <u>40,000</u> | <u>10,912</u> | <u>29,088</u> | <u>_____</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 35,000 | 10,912 | 24,088 | |
| Capital outlay | <u>5,000</u> | <u>_____</u> | <u>5,000</u> | <u>_____</u> |
| Total expenditures | <u>40,000</u> | <u>10,912</u> | <u>29,088</u> | <u>_____</u> |
| Net change in fund balances | | | | |
| Fund balances, beginning of year | <u>_____</u> | <u>_____</u> | <u>_____</u> | <u>_____</u> |
| Fund balances, end of year | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$ _____</u> |

CITY OF LAKE FOREST
Non-Major Capital Projects Fund

Redevelopment Agency Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | <u>Final Budget</u> | <u>Actual</u> | Variances with Final Budget Positive (Negative) | <u>2009 Actual</u> |
|--|-------------------------|-----------------|--|------------------------|
| Revenues: | | | | |
| Other | \$ _____ | \$ _____ | \$ _____ | \$ <u>1,261</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 196,000 | 152,855 | 43,145 | 110,189 |
| Public works | 31,200 | 30,117 | 1,083 | |
| Development services | 116,600 | 115,705 | 895 | 28,327 |
| Redevelopment/economic development | 881,300 | 422,135 | 459,165 | 547,406 |
| Capital outlay | <u>1,186,195</u> | <u>33,544</u> | <u>1,152,651</u> | <u>65,833</u> |
| Total expenditures | <u>2,411,295</u> | <u>754,356</u> | <u>1,656,939</u> | <u>751,755</u> |
| Excess (deficiency) of revenues over (under) expenditures | (2,411,295) | (754,356) | 1,656,939 | (750,494) |
| Other financing sources: | | | | |
| Transfers in | <u>1,930,100</u> | <u>754,356</u> | <u>(1,175,744)</u> | <u>750,494</u> |
| Net change in fund balances | (481,195) | | 481,195 | |
| Fund balances, beginning of year | _____ | _____ | _____ | _____ |
| Fund balances (deficit), end of year | <u>\$ (481,195)</u> | <u>\$ _____</u> | <u>\$ 481,195</u> | <u>\$ _____</u> |

CITY OF LAKE FOREST
Non-Major Capital Projects Fund

Lake Forest Transportation Mitigation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variances with Final Budget Positive (Negative)</u> | <u>2009 Actual</u> |
|--|-------------------------|---------------------|--|-----------------------------|
| Expenditures: | | | | |
| Capital outlay | <u>\$ 2,235,944</u> | <u>\$ 71,395</u> | <u>\$ 2,164,549</u> | <u>\$ 55,156</u> |
| Total expenditures | <u>2,235,944</u> | <u>71,395</u> | <u>2,164,549</u> | <u>55,156</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,235,944)</u> | <u>(71,395)</u> | <u>2,164,549</u> | <u>(55,156)</u> |
| Other financing sources: | | | | |
| Transfers in | <u>2,291,100</u> | <u>2,291,100</u> | <u> </u> | <u> </u> |
| Total other financing sources | <u>2,291,100</u> | <u>2,291,100</u> | <u> </u> | <u> </u> |
| Net change in fund balances | 55,156 | 2,219,705 | 2,164,549 | |
| Fund balances (deficit), beginning of year | <u>(55,156)</u> | <u>(55,156)</u> | <u> </u> | <u> </u> |
| Fund balances (deficit), end of year | <u>\$</u> | <u>\$ 2,164,549</u> | <u>\$ 2,164,549</u> | <u>\$ (55,156)</u> |

CITY OF LAKE FOREST
Non-Major Capital Project Fund

Park Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|----------------------------------|-------------------|-------------------|--|-------------------|
| Revenues: | | | | |
| Charges for services | \$ 241,000 | \$ 224,838 | \$ (16,162) | |
| Investment income | <u>7,000</u> | <u>6,529</u> | <u>(471)</u> | <u>\$ 13,730</u> |
| Total revenues | <u>248,000</u> | <u>231,367</u> | <u>(16,633)</u> | <u>13,730</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(591,700)</u> | <u>(591,700)</u> | <u> </u> | <u> </u> |
| Total other financing sources | <u>(591,700)</u> | <u>(591,700)</u> | <u> </u> | <u> </u> |
| Net change in fund balances | (343,700) | (360,333) | (16,633) | 13,730 |
| Fund balances, beginning of year | <u>575,643</u> | <u>575,643</u> | <u> </u> | <u>561,913</u> |
| Fund balances, end of year | <u>\$ 231,943</u> | <u>\$ 215,310</u> | <u>\$ (16,633)</u> | <u>\$ 575,643</u> |

CITY OF LAKE FOREST
 Non-Major Capital Projects Fund

Affordable Housing Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | Final Budget | Actual | Variances with Final Budget Positive (Negative) | 2009 Actual |
|----------------------------------|-----------------------------|-----------------------------|--|-----------------------------|
| Revenues: | | | | |
| Charges for services | \$ 51,000 | \$ 51,704 | \$ 704 | |
| Investment income | | 68 | 68 | |
| | <u>51,000</u> | <u>51,772</u> | <u>772</u> | |
| Net change in fund balances | 51,000 | 51,772 | 772 | |
| Fund balances, beginning of year | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Fund balances, end of year | <u>\$ 51,000</u> | <u>\$ 51,772</u> | <u>\$ 772</u> | <u>\$</u> |

CITY OF LAKE FOREST
Non-Major Debt Service Fund

Financing Authority Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variances with Final Budget Positive (Negative)</u> | <u>2009 Actual</u> |
|--|-------------------------|------------------|--|------------------------|
| Revenues: | | | | |
| Investment income | \$ | \$ | \$ | \$ 2 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal payment | 220,000 | 220,000 | | 215,000 |
| Interest and fiscal charges | <u>332,200</u> | <u>328,368</u> | <u>3,832</u> | <u>334,458</u> |
| Total expenditures | <u>552,200</u> | <u>548,368</u> | <u>3,832</u> | <u>549,458</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(552,200)</u> | <u>(548,368)</u> | <u>3,832</u> | <u>(549,456)</u> |
| Other financing sources: | | | | |
| Transfers in | <u>552,200</u> | <u>548,368</u> | <u>(3,832)</u> | <u>549,458</u> |
| Total other financing sources | <u>552,200</u> | <u>548,368</u> | <u>(3,832)</u> | <u>549,458</u> |
| Net change in fund balances | | | | 2 |
| Fund balances, beginning of year | <u>347</u> | <u>347</u> | | <u>345</u> |
| Fund balances, end of year | <u>\$ 347</u> | <u>\$ 347</u> | <u>\$</u> | <u>\$ 347</u> |

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AGENCY FUNDS

Road Construction Programs Fund – This fund is used to account for monies collected on behalf of the County of Orange and held in an agency capacity by the City.

Strong-Motion Instrumentation Program Fund – This fund is used to account for monies collected in conjunction with building permits for the Strong Motion Instrumentation Program. These fees are collected pursuant to State law and are remitted to the State of California quarterly.

Building Standards Administration Fund – This fund accounts for monies collected in conjunction with building permits for development and education efforts associated with green building standards. Fees are collected pursuant to State law and are remitted to the California Building Standards Commission quarterly.

Community Facilities District Formation Fund – This fund is used to account for costs related to formation of the District and funds advanced to the City to pay for these costs.

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CITY OF LAKE FOREST

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

June 30, 2010

(With Comparative Totals For June 30, 2009)

| | <u>Road Construction Programs</u> | <u>Strong Motion Instrument Program</u> | <u>Building Standards Administration</u> | <u>Community Facilities District Formation</u> | <u>Totals</u> | |
|----------------------|---|---|--|--|-------------------|------------------|
| | | | | | 2010 | 2009 |
| <u>Assets</u> | | | | | | |
| Cash and investments | \$ 162,556 | 14,040 | 742 | 9,025 | 186,363 | 18,982 |
| Total assets | <u>\$ 162,556</u> | <u>\$ 14,040</u> | <u>\$ 742</u> | <u>\$ 9,025</u> | <u>\$ 186,363</u> | <u>\$ 18,982</u> |
| <u>Liabilities</u> | | | | | | |
| Accounts payable | \$ 162,556 | \$ 1,290 | \$ 492 | \$ 9,025 | \$ 173,363 | \$ 6,204 |
| Interest payable | | 2,524 | | | 2,524 | 2,374 |
| Deposits payable | | 10,226 | 250 | | 10,476 | 10,404 |
| Total liabilities | <u>\$ 162,556</u> | <u>\$ 14,040</u> | <u>\$ 742</u> | <u>\$ 9,025</u> | <u>\$ 186,363</u> | <u>\$ 18,982</u> |

CITY OF LAKE FOREST

Agency Funds

Statement of Changes in Fiduciary Assets and Liabilities

Year Ended June 30, 2010

| | <u>Balance July 1, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2010</u> |
|--|---------------------------------|-------------------|-------------------|----------------------------------|
| <u>Road Construction Programs</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 3,286 | \$ 222,836 | \$ 63,566 | \$ 162,556 |
| Total assets | <u>\$ 3,286</u> | <u>\$ 222,836</u> | <u>\$ 63,566</u> | <u>\$ 162,556</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 3,286 | \$ 223,492 | \$ 64,222 | \$ 162,556 |
| Interest payable | | 1,551 | 1,551 | |
| Due to outside agencies | | 221,284 | 221,284 | |
| Total liabilities | <u>\$ 3,286</u> | <u>\$ 446,327</u> | <u>\$ 287,057</u> | <u>\$ 162,556</u> |
| <u>Strong- Motion Instrumentation Program</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 14,776 | \$ 3,780 | \$ 4,516 | \$ 14,040 |
| Total assets | <u>\$ 14,776</u> | <u>\$ 3,780</u> | <u>\$ 4,516</u> | <u>\$ 14,040</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 2,383 | \$ 3,423 | \$ 4,516 | \$ 1,290 |
| Interest payable | 2,374 | 150 | | 2,524 |
| Deposits payable | 10,019 | 3,630 | 3,423 | 10,226 |
| Total liabilities | <u>\$ 14,776</u> | <u>\$ 7,203</u> | <u>\$ 7,939</u> | <u>\$ 14,040</u> |
| <u>Opportunities Study Area</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ | \$ 1,060 | \$ 1,060 | \$ |
| Total assets | <u>\$</u> | <u>\$ 1,060</u> | <u>\$ 1,060</u> | <u>\$</u> |
| Liabilities: | | | | |
| Accounts payable | \$ | \$ 1,060 | \$ 1,060 | \$ |
| Total liabilities | <u>\$</u> | <u>\$ 1,060</u> | <u>\$ 1,060</u> | <u>\$</u> |

CITY OF LAKE FOREST

Agency Funds

Statement of Changes in Fiduciary Assets and Liabilities

(Continued)

| | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|---|-------------------------|-------------------|-------------------|--------------------------|
| <u>Building Standards Administration</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 920 | \$ 1,437 | \$ 1,615 | \$ 742 |
| Total assets | <u>\$ 920</u> | <u>\$ 1,437</u> | <u>\$ 1,615</u> | <u>\$ 742</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 535 | \$ 1,572 | \$ 1,615 | \$ 492 |
| Deposits payable | 385 | 1,438 | 1,573 | 250 |
| Total liabilities | <u>\$ 920</u> | <u>\$ 3,010</u> | <u>\$ 3,188</u> | <u>\$ 742</u> |
| <u>Community Facilities District Formation</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ | \$ 120,000 | \$ 110,975 | \$ 9,025 |
| Total assets | <u>\$</u> | <u>\$ 120,000</u> | <u>\$ 110,975</u> | <u>\$ 9,025</u> |
| Liabilities: | | | | |
| Accounts payable | \$ | \$ 134,453 | \$ 125,428 | \$ 9,025 |
| Deposits payable | | 120,000 | 120,000 | |
| Total liabilities | <u>\$</u> | <u>\$ 254,453</u> | <u>\$ 245,428</u> | <u>\$ 9,025</u> |
| <u>Total - All Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 18,982 | \$ 349,113 | \$ 181,732 | \$ 186,363 |
| Total assets | <u>\$ 18,982</u> | <u>\$ 349,113</u> | <u>\$ 181,732</u> | <u>\$ 186,363</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 6,204 | \$ 364,000 | \$ 196,841 | \$ 173,363 |
| Interest payable | 2,374 | 1,701 | 1,551 | 2,524 |
| Deposits payable | 10,404 | 125,068 | 124,996 | 10,476 |
| Due to outside agencies | | 221,284 | 221,284 | |
| Total liabilities | <u>\$ 18,982</u> | <u>\$ 712,053</u> | <u>\$ 544,672</u> | <u>\$ 186,363</u> |

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STATISTICAL SECTION

This section of the City of Lake Forest'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 say about the City's overall financial health. This information has not been audited by the independent auditor.

| <u>Contents</u> | <u>Pages</u> |
|---|--------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | 92-99 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i> | 100-105 |
| Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt.</i> | 106-109 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | 110-112 |
| Operating Information <i>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.</i> | 113-114 |

Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB 34 in the fiscal year ended June 30, 2001; schedules presenting government-wide information include information beginning in that year.

CITY OF LAKE FOREST
 Net Assets by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|-----------------------|
| | 2001 | 2002 | 2003 | 2004 |
| Governmental activities: | | | | |
| Invested in capital assets, net of related debt | \$111,609,434 | \$115,819,357 | \$136,395,069 | \$ 135,849,398 |
| Restricted | 2,298,998 | 3,169,142 | 3,824,691 | 4,899,620 |
| Unrestricted | 44,158,449 | 51,848,772 | 58,116,908 | 71,876,493 |
| Total governmental activities net assets | <u>\$158,066,881</u> | <u>\$170,837,271</u> | <u>\$198,336,668</u> | <u>\$ 212,625,511</u> |
| Primary government: | | | | |
| Invested in capital assets, net of related debt | \$111,609,434 | \$115,819,357 | \$136,395,069 | \$ 135,849,398 |
| Restricted | 2,298,998 | 3,169,142 | 3,824,691 | 4,899,620 |
| Unrestricted | 44,158,449 | 51,848,772 | 58,116,908 | 71,876,493 |
| Total primary government net assets | <u>\$158,066,881</u> | <u>\$170,837,271</u> | <u>\$198,336,668</u> | <u>\$ 212,625,511</u> |

Fiscal Year

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 147,415,149 | \$153,261,503 | \$ 152,736,236 | \$ 151,991,756 | \$ 170,898,743 | \$ 170,707,057 |
| 5,478,503 | 6,145,459 | 6,756,713 | 7,917,936 | 6,965,580 | 10,901,503 |
| 77,610,246 | 81,927,739 | 94,134,305 | 100,096,806 | 101,720,693 | 95,586,635 |
| <u>\$ 230,503,898</u> | <u>\$241,334,701</u> | <u>\$ 253,627,254</u> | <u>\$ 260,006,498</u> | <u>\$ 279,585,016</u> | <u>\$ 277,195,195</u> |
| \$ 147,415,149 | \$153,261,503 | \$ 152,736,236 | \$ 151,991,756 | \$ 170,898,743 | \$ 170,707,057 |
| 5,478,503 | 6,145,459 | 6,756,713 | 7,917,936 | 6,965,580 | 10,901,503 |
| 77,610,246 | 81,927,739 | 94,134,305 | 100,096,806 | 101,720,693 | 95,586,635 |
| <u>\$ 230,503,898</u> | <u>\$241,334,701</u> | <u>\$ 253,627,254</u> | <u>\$ 260,006,498</u> | <u>\$ 279,585,016</u> | <u>\$ 277,195,195</u> |

CITY OF LAKE FOREST

Changes in Net Assets

Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2001 | 2002 | 2003 | 2004 |
| Expenses: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,238,957 | \$ 2,180,024 | \$ 2,914,185 | \$ 2,697,390 |
| Public safety | 6,785,801 | 6,768,428 | 8,375,632 | 9,305,072 |
| Public works | 10,265,714 | 10,165,153 | 11,197,224 | 9,863,496 |
| Development services | 3,690,402 | 3,500,648 | 3,767,834 | 4,504,509 |
| Management services | 2,178,382 | 2,259,398 | 2,225,941 | 2,224,495 |
| Community services | | | | |
| Redevelopment/economic development | | | | |
| Interest on long-term debt | | | | 96,421 |
| Total governmental activities expenses | <u>\$ 25,159,256</u> | <u>\$ 24,873,651</u> | <u>\$ 28,480,816</u> | <u>\$ 28,691,383</u> |
| Program revenues: | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 5,805 | \$ 3,524 | \$ 13,899 | \$ 4,370 |
| Public safety | 373,057 | 479,734 | 472,434 | 535,374 |
| Public works | 206,647 | 129,811 | 156,553 | 213,584 |
| Development services | 1,693,289 | 1,183,750 | 1,182,534 | 1,740,111 |
| Management services | 28,713 | 32,400 | 64,563 | 58,639 |
| Community services | | | | |
| Operating grants and contributions | 4,375,734 | 3,892,099 | 3,968,311 | 3,504,114 |
| Capital grants and contributions | 690,582 | 3,325,021 | 869,050 | 8,542,590 |
| Total governmental activities program revenues | <u>\$ 7,373,827</u> | <u>\$ 9,046,339</u> | <u>\$ 6,727,344</u> | <u>\$ 14,598,782</u> |
| Total primary government program revenues | <u>\$ 7,373,827</u> | <u>\$ 9,046,339</u> | <u>\$ 6,727,344</u> | <u>\$ 14,598,782</u> |
| Net revenues (expenses): | | | | |
| Governmental activities | <u>(17,785,429)</u> | <u>(15,827,312)</u> | <u>(21,753,472)</u> | <u>(14,092,601)</u> |
| Total net revenues (expenses) | <u>\$(17,785,429)</u> | <u>\$(15,827,312)</u> | <u>\$(21,753,472)</u> | <u>\$(14,092,601)</u> |
| General revenues and other changes in net assets: | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 5,730,420 | \$ 6,656,629 | \$ 7,126,612 | \$ 7,825,583 |
| Sales taxes | 10,525,276 | 10,514,492 | 10,874,978 | 12,432,181 |
| Transient occupancy taxes | 1,139,888 | 960,218 | 1,051,400 | 1,305,742 |
| Other taxes | 1,922,139 | 2,182,489 | 2,248,710 | 2,471,229 |
| Motor vehicle in lieu, unrestricted | 4,400,740 | 5,457,486 | 4,442,316 | 3,548,946 |
| Investment income | 2,768,181 | 2,138,675 | 1,583,364 | 602,708 |
| Other general revenues | 385,723 | 451,859 | 470,836 | 195,055 |
| Total governmental activities | <u>26,872,367</u> | <u>28,361,848</u> | <u>27,798,216</u> | <u>28,381,444</u> |
| Total primary government | <u>\$ 26,872,367</u> | <u>\$ 28,361,848</u> | <u>\$ 27,798,216</u> | <u>\$ 28,381,444</u> |
| Changes in net assets | | | | |
| Governmental activities | <u>9,086,938</u> | <u>12,534,536</u> | <u>6,044,744</u> | <u>14,288,843</u> |
| Total primary government | <u>\$ 9,086,938</u> | <u>\$ 12,534,536</u> | <u>\$ 6,044,744</u> | <u>\$ 14,288,843</u> |

Fiscal Year

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 2,932,872 | \$ 3,381,872 | \$ 3,411,235 | \$ 4,203,569 | \$ 4,785,915 | \$ 4,621,487 |
| 9,331,034 | 10,546,371 | 10,348,994 | 12,452,930 | 12,732,649 | 12,999,563 |
| 11,874,966 | 13,033,025 | 13,234,911 | 17,924,671 | 17,401,277 | 16,921,113 |
| 4,914,100 | 5,095,288 | 3,754,817 | 3,040,972 | 2,735,908 | 2,838,603 |
| 2,608,288 | 2,670,342 | 1,385,050 | 1,450,824 | 1,837,806 | 1,756,235 |
| | | 2,473,802 | 2,673,227 | 2,963,331 | 3,102,590 |
| | | 1,283,418 | 1,006,979 | 1,455,462 | 1,477,888 |
| 351,954 | 348,105 | 342,025 | 384,850 | 387,717 | 349,056 |
| <u>\$ 32,013,214</u> | <u>\$ 35,075,003</u> | <u>\$ 36,234,252</u> | <u>\$ 43,138,022</u> | <u>\$ 44,300,065</u> | <u>\$ 44,066,535</u> |
| | | | | | |
| \$ 4,098 | \$ 1,583 | \$ 4,933 | \$ 8,759 | \$ 20,192 | \$ 20,888 |
| 542,722 | 485,246 | 512,079 | 570,473 | 560,612 | 490,693 |
| 153,298 | 177,002 | 87,701 | 116,808 | 120,296 | 121,098 |
| 2,101,270 | 2,026,050 | 1,654,938 | 1,666,111 | 1,031,280 | 1,358,687 |
| 63,502 | 128,949 | | | | |
| | | 109,908 | 150,790 | 177,438 | 446,320 |
| 4,509,756 | 3,642,056 | 4,475,783 | 4,755,995 | 4,900,050 | 5,444,395 |
| 8,071,746 | 2,275,705 | 29,406 | 1,051,710 | 13,730 | 1,298,378 |
| <u>\$ 15,446,392</u> | <u>\$ 8,736,591</u> | <u>\$ 6,874,748</u> | <u>\$ 8,320,646</u> | <u>\$ 6,823,598</u> | <u>\$ 9,180,459</u> |
| | | | | | |
| <u>\$ 15,446,392</u> | <u>\$ 8,736,591</u> | <u>\$ 6,874,748</u> | <u>\$ 8,320,646</u> | <u>\$ 6,823,598</u> | <u>\$ 9,180,459</u> |
| | | | | | |
| <u>(16,566,822)</u> | <u>(26,338,412)</u> | <u>(29,359,504)</u> | <u>(34,817,376)</u> | <u>(37,476,467)</u> | <u>(34,886,076)</u> |
| <u>\$ (16,566,822)</u> | <u>\$ (26,338,412)</u> | <u>\$ (29,359,504)</u> | <u>\$ (34,817,376)</u> | <u>\$ (37,476,467)</u> | <u>\$ (34,886,076)</u> |
| | | | | | |
| \$ 12,200,460 | \$ 14,260,592 | \$ 15,955,895 | \$ 16,150,989 | \$ 17,045,323 | \$ 15,701,434 |
| 13,888,086 | 15,182,510 | 15,278,307 | 13,676,717 | 12,482,010 | 10,912,353 |
| 1,789,195 | 2,168,862 | 2,657,295 | 2,813,764 | 2,227,264 | 1,939,344 |
| 2,491,189 | 2,660,320 | 2,815,753 | 2,287,907 | 2,354,422 | 2,237,285 |
| 2,081,262 | 202,814 | 494,643 | 346,806 | 266,153 | 230,061 |
| 1,748,082 | 2,671,639 | 4,335,205 | 5,090,792 | 2,544,784 | 1,179,089 |
| 246,935 | 22,478 | 114,959 | 829,645 | 131,494 | 304,932 |
| <u>34,445,209</u> | <u>37,169,215</u> | <u>41,652,057</u> | <u>41,196,620</u> | <u>37,051,450</u> | <u>32,504,498</u> |
| <u>\$ 34,445,209</u> | <u>\$ 37,169,215</u> | <u>\$ 41,652,057</u> | <u>\$ 41,196,620</u> | <u>\$ 37,051,450</u> | <u>\$ 32,504,498</u> |
| | | | | | |
| <u>17,878,387</u> | <u>10,830,803</u> | <u>12,292,553</u> | <u>6,379,244</u> | <u>(425,017)</u> | <u>(2,381,578)</u> |
| <u>\$ 17,878,387</u> | <u>\$ 10,830,803</u> | <u>\$ 12,292,553</u> | <u>\$ 6,379,244</u> | <u>\$ (425,017)</u> | <u>\$ (2,381,578)</u> |

CITY OF LAKE FOREST

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | Fiscal Year | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2001 | 2002 | 2003 | 2004 |
| General fund: | | | | |
| Reserved | \$ 4,107,575 | \$ 2,867,081 | \$ 4,580,937 | \$ 2,522,296 |
| Unreserved | 41,399,620 | 50,043,819 | 53,939,450 | 72,148,399 |
| Total general fund | <u>\$ 45,507,195</u> | <u>\$ 52,910,900</u> | <u>\$ 58,520,387</u> | <u>\$ 74,670,695</u> |
| All other governmental funds: | | | | |
| Reserved | \$ 822,722 | \$ 134,518 | | \$ 163,912 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 1,476,276 | 2,409,478 | \$ 3,172,913 | 3,993,337 |
| Capital projects funds | (1,348,746) | 318,851 | 734,664 | 1,060,698 |
| Debt service funds | | (1,380,979) | (1,138,143) | (1,138,143) |
| Total all other governmental funds | <u>\$ 950,252</u> | <u>\$ 1,481,868</u> | <u>\$ 2,769,434</u> | <u>\$ 4,079,804</u> |

The presentation of fiscal years in this schedule is intended to be consistent with the implementation of GASB 34.

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| \$ 13,747,897 | \$ 3,407,725 | \$ 2,606,143 | \$ 2,168,178 | \$ 2,214,135 | \$ 2,182,459 |
| 61,820,588 | 70,364,793 | 86,956,185 | 96,126,716 | 96,323,995 | 73,122,377 |
| <u>\$ 75,568,485</u> | <u>\$ 73,772,518</u> | <u>\$ 89,562,328</u> | <u>\$ 98,294,894</u> | <u>\$ 98,538,130</u> | <u>\$ 75,304,836</u> |
| | | | | | |
| \$ 1,769,773 | \$ 137,917 | \$ 264,980 | \$ 518,773 | \$ 153,024 | \$ 1,462,562 |
| 2,946,408 | 5,265,055 | 5,669,706 | 6,525,839 | 6,457,552 | 5,758,225 |
| 870,168 | 285,316 | | (50,336) | (719,171) | 18,862,833 |
| (1,138,143) | (116,880) | 471,026 | 1,673,051 | 3,189,786 | 3,562,986 |
| <u>\$ 4,448,206</u> | <u>\$ 5,571,408</u> | <u>\$ 6,405,712</u> | <u>\$ 8,667,327</u> | <u>\$ 9,081,191</u> | <u>\$ 29,646,606</u> |

CITY OF LAKE FOREST

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2001 | 2002 | 2003 | 2004 |
| Revenues: | | | | |
| Taxes | \$ 18,540,368 | \$ 18,522,329 | \$ 19,350,112 | \$ 21,786,662 |
| Licenses and permits | 1,024,518 | 826,029 | 749,101 | 690,862 |
| Intergovernmental | 10,031,446 | 11,059,090 | 11,093,550 | 14,750,063 |
| Charges for services | 910,964 | 525,338 | 674,855 | 1,322,332 |
| Fines and forfeitures | 372,029 | 477,852 | 466,027 | 529,540 |
| Investment income | 2,996,456 | 2,291,318 | 1,692,728 | 652,088 |
| Other | 221,868 | 583,564 | 534,334 | 473,437 |
| Total revenues | \$ 34,097,649 | \$ 34,285,520 | \$ 34,560,707 | \$ 40,204,984 |
| Expenditures | | | | |
| Current: | | | | |
| General government | \$ 2,145,574 | \$ 2,155,383 | \$ 2,866,399 | \$ 2,657,972 |
| Public safety | 6,715,409 | 6,774,052 | 8,294,753 | 9,244,764 |
| Public works | 4,598,173 | 5,068,330 | 5,628,684 | 6,007,637 |
| Development services | 2,699,472 | 3,060,977 | 3,003,953 | 3,456,771 |
| Management services | 2,050,856 | 2,186,548 | 2,212,341 | 2,211,439 |
| Community services | | | | |
| Redevelopment/economic development | | | | |
| Capital outlay | 4,196,275 | 6,115,462 | 4,852,329 | 7,249,400 |
| Debt service: | | | | |
| Principal retirement | | | | 88,800 |
| Interest and fiscal charges | 75,363 | 56,346 | 31,521 | 357,213 |
| Pass-through payments | 584,121 | 669,656 | 773,674 | 1,030,642 |
| SERAF payment to State | | | | |
| Total expenditures | \$ 22,481,122 | \$ 25,417,098 | \$ 26,889,980 | \$ 31,273,996 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 11,616,527 | \$ 8,868,422 | \$ 7,670,727 | \$ 8,930,988 |
| Other financing sources (uses): | | | | |
| Transfers in | \$ 51,620 | \$ 1,341,039 | \$ 245,498 | \$ 108,370 |
| Transfers out | (51,620) | (1,341,039) | (245,498) | (108,370) |
| Proceeds on exchange of land | 223,908 | | | - |
| Proceeds from long-term debt | | | | 9,505,000 |
| Premium on debt issue | | | | 55,332 |
| Total other financing sources (uses) | \$ 223,908 | \$ - | \$ - | \$ 9,560,332 |
| Net change in fund balance: | \$ 11,840,435 | \$ 8,868,422 | \$ 7,670,727 | \$ 18,491,320 |
| Debt service as a percentage of non-capital expenditures | 0.4% | 0.3% | 0.1% | 1.9% |

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| \$ 27,437,895 | \$ 30,150,758 | \$ 32,814,833 | \$ 37,844,313 | \$ 35,595,068 | \$ 33,602,398 |
| 754,057 | 616,067 | 643,158 | 505,260 | 483,310 | 513,001 |
| 11,098,720 | 10,227,492 | 12,392,899 | 7,922,679 | 4,798,406 | 6,554,126 |
| 1,568,477 | 1,713,575 | 1,209,977 | 1,441,696 | 863,867 | 1,437,291 |
| 535,357 | 476,953 | 505,457 | 565,983 | 556,560 | 487,085 |
| 1,886,535 | 2,871,568 | 4,669,655 | 5,317,333 | 2,654,323 | 1,226,620 |
| 1,766,610 | 210,956 | 319,464 | 553,073 | 221,942 | 370,634 |
| <u>\$ 45,047,651</u> | <u>\$ 46,267,369</u> | <u>\$ 52,555,443</u> | <u>\$ 54,150,337</u> | <u>\$ 45,173,476</u> | <u>\$ 44,191,155</u> |
| | | | | | |
| \$ 2,871,880 | \$ 3,315,329 | \$ 3,331,061 | \$ 3,927,372 | \$ 4,588,334 | \$ 4,411,123 |
| 9,297,707 | 10,515,607 | 10,315,572 | 12,418,604 | 12,709,337 | 12,953,360 |
| 6,676,955 | 6,662,359 | 7,156,432 | 8,456,483 | 8,628,070 | 8,760,691 |
| 3,865,405 | 4,030,326 | 2,662,422 | 3,009,043 | 2,677,232 | 2,762,563 |
| 2,592,550 | 2,646,902 | 1,347,789 | 1,415,093 | 1,746,164 | 1,606,047 |
| | | 2,476,122 | 2,673,017 | 2,947,541 | 3,084,891 |
| | | 1,276,767 | 1,159,575 | 1,455,462 | 1,477,888 |
| 16,697,787 | 18,012,248 | 5,503,543 | 8,442,215 | 7,698,639 | 8,756,989 |
| | | 205,000 | 210,000 | 215,000 | 220,000 |
| 135,000 | 195,000 | 407,236 | 389,260 | 364,548 | 339,500 |
| 380,364 | 390,787 | 1,249,385 | 1,381,494 | 1,486,049 | 1,602,447 |
| 1,133,081 | 1,171,576 | | | | 1,209,535 |
| <u>\$ 42,517,648</u> | <u>\$ 45,768,558</u> | <u>\$ 34,681,944</u> | <u>\$ 42,100,662</u> | <u>\$ 44,516,376</u> | <u>\$ 47,185,034</u> |
| | | | | | |
| \$ 2,530,003 | \$ 498,811 | \$ 17,873,499 | \$ 12,049,675 | \$ 657,100 | \$ (2,993,879) |
| | | | | | |
| \$ 620,499 | \$ 701,053 | \$ 1,980,525 | \$ 1,442,832 | \$ 1,630,931 | \$ 23,531,247 |
| (751,229) | (701,053) | (1,980,525) | (1,442,832) | (1,630,931) | (23,531,247) |
| | | | 326,000 | | |
| | | | | | |
| <u>\$ (130,730)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 326,000</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>\$ 2,399,273</u> | <u>\$ 498,811</u> | <u>\$ 17,873,499</u> | <u>\$ 12,375,675</u> | <u>\$ 657,100</u> | <u>\$ (2,993,879)</u> |
| 2.0% | 2.2% | 2.1% | 5.4% | 5.4% | 8.1% |

CITY OF LAKE FOREST

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

| Fiscal Year Ended June 30 | Residential | Commercial | Industrial | Misc. | Total Secured | Unsecured | Taxable Assessed Value | Total Direct Tax Rate |
|---------------------------------|--------------|------------|------------|-----------|------------------|-----------|------------------------------|-----------------------------|
| 2001 | \$ 3,357,998 | \$ 587,085 | \$ 540,643 | \$178,673 | \$4,664,399 | \$251,816 | \$4,916,215 | 0.130% |
| 2002 | 4,934,929 | 691,288 | 663,642 | 228,877 | 6,518,736 | 395,385 | 6,914,121 | 0.106% |
| 2003 | 5,202,392 | 881,456 | 701,438 | 204,802 | 6,990,088 | 444,851 | 7,434,939 | 0.103% |
| 2004 | 5,554,373 | 1,005,560 | 752,309 | 175,792 | 7,488,034 | 497,987 | 7,986,021 | 0.104% |
| 2005 | 5,983,586 | 1,056,353 | 786,114 | 234,818 | 8,060,871 | 492,521 | 8,553,392 | 0.107% |
| 2006 | 6,547,321 | 1,118,675 | 860,690 | 259,975 | 8,786,661 | 472,230 | 9,258,891 | 0.103% |
| 2007 | 7,222,303 | 1,195,917 | 925,811 | 277,545 | 9,621,576 | 534,380 | 10,155,956 | 0.107% |
| 2008 | 7,697,469 | 1,364,379 | 978,603 | 284,144 | 10,324,595 | 570,109 | 10,894,704 | 0.108% |
| 2009 | 7,690,343 | 1,463,499 | 1,117,041 | 291,831 | 10,562,714 | 619,832 | 11,182,546 | 0.108% |
| 2010 | 7,159,114 | 1,683,444 | 1,234,199 | 63,548 | 10,140,305 | 668,440 | 10,808,745 | 0.094% |

Source: Orange County Assessor data, MuniServices, LLC; 2008-09 and pror: prior year Comprehensive Annual Financial Reports

Note: Total Direct Tax Rate is the weighted average City General Fund share of the 1% Proposition 13 rate for all Tax Rate Areas; exempt values are not included in Taxable Assessed Value.

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CITY OF LAKE FOREST
Direct & Overlapping Property Tax Rates
(Rate per \$100 of Taxable Value)
Last Ten Fiscal Years

| | 2001 | 2002 | 2003 | 2004 |
|---|----------------|----------------|----------------|----------------|
| Basic Levy: | | | | |
| City of Lake Forest | 0.0420 | 0.0420 | 0.0420 | 0.0420 |
| City of Lake Forest Community Service Area Reorganization | 0.0710 | 0.0710 | 0.0710 | 0.0710 |
| City of Lake Forest Lighting Fund | 0.0170 | 0.0170 | 0.0170 | 0.0170 |
| City of Lake Forest AB1406 | 0.0118 | 0.0118 | 0.0118 | 0.0118 |
| Total City Direct Rate | 0.1418 | 0.1418 | 0.1418 | 0.1418 |
| Overlapping Rates | | | | |
| Saddleback Valley Unified General Fund | 0.4360 | 0.4360 | 0.4360 | 0.4360 |
| Educational Revenue Augmentation Fund | 0.1110 | 0.1110 | 0.1110 | 0.1110 |
| Orange County Fire Authority | 0.1080 | 0.1080 | 0.1080 | 0.1080 |
| South Orange County Community College District | 0.0850 | 0.0850 | 0.0850 | 0.0850 |
| Orange County General Fund | 0.0310 | 0.0310 | 0.0310 | 0.0310 |
| Orange County Flood Control General Fund | 0.0190 | 0.0190 | 0.0190 | 0.0190 |
| Los Alisos Water District General Fund | 0.0170 | 0.0170 | 0.0170 | 0.0170 |
| Orange County Library District General Fund | 0.0162 | 0.0162 | 0.0162 | 0.0162 |
| Orange County Department of Education | 0.0158 | 0.0158 | 0.0158 | 0.0158 |
| Orange County Harbors, Beaches and Parks | 0.0148 | 0.0148 | 0.0148 | 0.0148 |
| Orange County Transportation Authority | 0.0028 | 0.0028 | 0.0028 | 0.0028 |
| Orange County Vector Control District | 0.0011 | 0.0011 | 0.0011 | 0.0011 |
| Orange County Cemetery District | 0.0005 | 0.0005 | 0.0005 | 0.0005 |
| Total Basic Levy | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| Additional Levies (Voter-Approved Rates) | | | | |
| Irvine Ranch Water District | 0.00000 | 0.10851 | 0.05200 | 0.01501 |
| Los Alisos Water District (land value only) | | 0.05200 | 0.05200 | 0.01501 |
| Metropolitan Water District | 0.00890 | 0.00670 | 0.00670 | 0.00610 |
| Orange County Improvement Bonds | 0.00013 | | | |
| Orange County Flood Control District | 0.00068 | | | |
| Saddleback Valley Unified School District Bond | 0.01027 | | | |
| Tustin Union High School District | 0.00003 | | | |
| San Joaquin School District | 0.00019 | | | |
| Total Voter-Approved Levies | 0.02020 | 0.16721 | 0.11070 | 0.03612 |
| Total Tax Rate | 1.02020 | 1.16721 | 1.11070 | 1.03612 |

Notes: There are 126 Tax Rate Areas (TRA) in Lake Forest. The above is for Tax Rate Area 30-015. City tax rates vary significantly by TRA. In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. The 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. The table has been restated from previously published CAFR and annual reports to reflect a consistent reporting methodology in compliance with GASB 44.

Source: Orange County Auditor/Controller data, MuniServices, 2008-09 and prior: prior year CAFR reports.

| <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 0.0420 | 0.04186 | 0.04186 | 0.04186 | 0.04186 | 0.04186 |
| 0.0710 | 0.07075 | 0.07075 | 0.07075 | 0.07075 | 0.07075 |
| 0.0170 | 0.01692 | 0.01692 | 0.01692 | 0.01692 | 0.01692 |
| 0.0118 | 0.01167 | 0.01167 | 0.01167 | 0.01167 | 0.01167 |
| 0.1418 | 0.1412 | 0.1412 | 0.1412 | 0.1412 | 0.1412 |
| 0.4360 | 0.43637 | 0.43637 | 0.43637 | 0.43637 | 0.43637 |
| 0.1110 | 0.11103 | 0.11103 | 0.11103 | 0.11103 | 0.11103 |
| 0.1080 | 0.10821 | 0.10821 | 0.10821 | 0.10821 | 0.10821 |
| 0.0850 | 0.08522 | 0.08522 | 0.08522 | 0.08522 | 0.08522 |
| 0.0310 | 0.03102 | 0.03102 | 0.03102 | 0.03102 | 0.03102 |
| 0.0190 | 0.01904 | 0.01904 | 0.01904 | 0.01904 | 0.01904 |
| 0.0170 | 0.01719 | 0.01719 | 0.01719 | 0.01719 | 0.01719 |
| 0.0162 | 0.01605 | 0.01605 | 0.01605 | 0.01605 | 0.01605 |
| 0.0158 | 0.01571 | 0.01571 | 0.01571 | 0.01571 | 0.01571 |
| 0.0148 | 0.01472 | 0.01472 | 0.01472 | 0.01472 | 0.01472 |
| 0.0028 | 0.00270 | 0.00270 | 0.00270 | 0.00270 | 0.00270 |
| 0.0011 | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 |
| 0.0005 | 0.00047 | 0.00047 | 0.00047 | 0.00047 | 0.00047 |
| 1.0000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| 0.00002 | 0.00002 | 0.01374 | 0.38974 | 0.14674 | 0.01374 |
| 0.00580 | 0.00520 | 0.00470 | 0.00430 | 0.00430 | 0.0043 |
| | 0.03079 | 0.03694 | 0.02668 | 0.02834 | 0.03043 |
| <u>0.00582</u> | <u>0.03601</u> | <u>0.05538</u> | <u>0.42072</u> | <u>0.17938</u> | <u>0.04847</u> |
| <u>1.00582</u> | <u>1.03601</u> | <u>1.05538</u> | <u>1.42072</u> | <u>1.17938</u> | <u>1.04847</u> |

CITY OF LAKE FOREST
Principal Property Tax Payers
Current Year and Nine Years Ago

| Taxpayer | 2010 | | 2001 | |
|----------------------------------|-----------------------------|------------------------------------|-----------------------------------|---|
| | Property Tax Revenue | Percent of Total Prop. Tax Revenue | Property Tax Revenue ¹ | Percent of Total Prop. Tax Revenue ¹ |
| Oakley Inc. | \$ 157,721 | 1.25% | \$ - | 0.00% |
| Walton CWCA | 88,920 | 0.70% | - | 0.00% |
| Arden Realty Limited Partnership | 60,338 | 0.48% | - | 0.00% |
| Prologis California I LLC | 58,323 | 0.46% | - | 0.00% |
| Panasonic Avionics Corporation | 55,962 | 0.44% | - | 0.00% |
| FPOC LLC | 54,708 | 0.43% | - | 0.00% |
| WALF LLC | 51,401 | 0.41% | - | 0.00% |
| Buchheim Properties | 50,766 | 0.40% | 73,156 | 1.45% |
| MEPT Pacific Vista Business CE | 46,647 | 0.37% | - | 0.00% |
| Bixby Land Co | 46,618 | 0.37% | - | 0.00% |
| Metropolitan Life Insurance Co | 44,629 | 0.35% | - | 0.00% |
| NP Bellecour Inc. | 41,241 | 0.33% | - | 0.00% |
| Western Digital Technology | 41,094 | 0.33% | - | 0.00% |
| UDR Arboretum Apts LP | 40,236 | 0.32% | - | 0.00% |
| GRE Foothill LLC | 39,616 | 0.31% | - | 0.00% |
| Acquiport Three Corporation | 39,157 | 0.31% | - | 0.00% |
| WLCO LF Partners | 38,091 | 0.30% | - | 0.00% |
| Realty Associates Fund VI | 37,076 | 0.29% | - | 0.00% |
| US Reif Lake Forest Village | 36,118 | 0.29% | - | 0.00% |
| Shea Baker Ranch Associates LLC | 36,086 | 0.29% | - | 0.00% |
| Top Twenty Totals | <u>1,064,748</u> | <u>8.42%</u> | <u>73,156</u> | <u>1.45%</u> |
| City Totals | <u>\$ 12,638,760</u> | | <u>\$ 5,040,999</u> | |

¹ Information for certain taxpayers was not available for 2001.

Note: Total Property Tax Revenue includes all City property tax and RDA tax increment but excludes Vehicle License Fee Backfill amounts.

Source: MuniServices, LLC, City Finance Department

CITY OF LAKE FOREST
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 Levy | | Collections in Subsequent Years ** | Total Collections to Date | |
|---------------------------------|--|---|--------------------|--|---------------------------|--------------------|
| | | Amount * | Percent of Levy | | Amount | Percent of Levy |
| 2001 | 4,392,439 | 4,316,739 | 98.28% | 75,700 | 4,392,439 | 100.00% |
| 2002 | 4,901,187 | 4,865,130 | 99.26% | 36,057 | 4,901,187 | 100.00% |
| 2003 | 5,187,059 | 5,175,024 | 99.77% | 12,035 | 5,187,059 | 100.00% |
| 2004 | 5,615,478 | 5,577,511 | 99.32% | 37,967 | 5,615,478 | 100.00% |
| 2005 | 5,324,170 | 5,181,672 | 97.32% | 65,349 | 5,247,021 | 98.55% |
| 2006 | 5,742,610 | 5,553,404 | 96.71% | 80,273 | 5,633,677 | 98.10% |
| 2007 | 6,972,404 | 6,671,669 | 95.69% | 138,162 | 6,809,831 | 97.67% |
| 2008 | 7,536,302 | 7,220,535 | 95.81% | 281,539 | 7,502,074 | 99.55% |
| 2009 | 7,423,259 | 7,084,651 | 95.44% | 270,660 | 7,355,311 | 99.08% |
| 2010 | 7,150,970 | 6,906,250 | 96.58% | | 6,906,250 | 96.58% |

* City property tax only, excluding prior year, penalties and interest.

** These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent fiscal year from Fiscal Year 2004-05 forward; the Orange County Auditor Controller's Office aggregates these payments and does not provide detail on allocations to particular years. Penalties and interest were not recorded separately prior to Fiscal Year 2004-05.

Source: Orange County Auditor Controller's Office

CITY OF LAKE FOREST
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Certificates of Participation | Total Governmental Activities | Total Primary Government | Percentage of Total Assessed Valuation | Percentage of Personal Income | Debt Per Capita |
|---------------------------------|----------------------------------|-------------------------------------|--------------------------------|--|-------------------------------------|--------------------|
| 2001 | | | | 0.00% | 0.00% | |
| 2002 | | | | 0.00% | 0.00% | |
| 2003 | | | | 0.00% | 0.00% | |
| 2004 | \$9,505,000 | \$9,505,000 | \$9,505,000 | 0.12% | 7.56% | \$121 |
| 2005 | 9,370,000 | 9,370,000 | 9,370,000 | 0.11% | 7.04% | 120 |
| 2006 | 9,175,000 | 9,175,000 | 9,175,000 | 0.10% | 6.37% | 117 |
| 2007 | 8,970,000 | 8,970,000 | 8,970,000 | 0.09% | 5.97% | 114 |
| 2008 | 8,760,000 | 8,760,000 | 8,760,000 | 0.08% | 5.65% | 112 |
| 2009 | 8,545,000 | 8,545,000 | 8,545,000 | 0.08% | * | 109 |
| 2010 | 8,325,000 | 8,325,000 | 8,325,000 | 0.08% | * | 106 |

* Data is unavailable

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

Source: City Finance Department

CITY OF LAKE FOREST
Schedule of Direct and Overlapping Bonded Debt
June 30, 2010

| <u>Direct and Overlapping Tax and Assessment Debt:</u> | Total Debt 6/30/2010 | % Applicable | City's Share of Debt |
|---|-------------------------|--------------|-------------------------|
| Metropolitan Water District | \$ 264,220,000 | 0.574% | \$1,516,623 |
| Saddleback Valley Unified School District | 137,690,000 | 35.283% | 48,581,163 |
| City of Lake Forest | 0 | 100% | 0 |
| Irvine Ranch Water District I.D. No. 135 | 4,985,802 | 100% | 4,985,802 |
| Irvine Ranch Water District I.D. No. 182 | 4,356,290 | 100% | 4,356,290 |
| Irvine Ranch Water District I.D. No. 186 | 3,012,460 | 100% | 3,012,460 |
| Irvine Ranch Water District I.D. No. 188 | 1,274,300 | 100% | 1,274,300 |
| Irvine Ranch Water District I.D. No. 235 | 2,998,707 | 100% | 2,998,707 |
| Irvine Ranch Water District I.D. No. 282 | 2,575,000 | 100% | 2,575,000 |
| Irvine Ranch Water District I.D. No. 284 | 4,995,000 | 100% | 4,995,000 |
| Santa Margarita Water District I.D. No. 1 | 450,000 | 0.004% | 18 |
| Trabuco Canyon Community Facilities Water District No. 2 | 3,660,000 | 100% | 3,660,000 |
| Orange County Community Facilities 87-1 | 2,937,477 | 100% | 2,937,477 |
| Orange County Community Facilities 87-2 | 10,253,613 | 100% | 10,253,613 |
| Orange County Community Facilities 87-4 | 51,544,406 | 100% | 51,544,406 |
| Orange County Community Facilities 87-6 | 4,215,000 | 100% | 4,215,000 |
| Orange County Community Facilities 87-7 | 7,870,000 | 100% | 7,870,000 |
| Orange County Community Facilities 87-9 | 2,895,000 | 100% | 2,895,000 |
| Saddleback Valley Unified School District Facilities District No. 86-1 | 1,460,000 | 100% | 1,460,000 |
| TOTAL DIRECT & OVERLAPPING TAX & ASSESSMENT DEBT | | | \$159,130,859 |
| <u>Overlapping General Fund Obligation Debt:</u> | | | |
| Orange County General Fund Obligations | \$391,027,000 | 2.773% | \$10,843,179 |
| Orange County Pension Obligation | 59,333,382 | 2.773% | 1,645,315 |
| Orange County Board of Education Certificates of Participation (COPS) | 19,230,000 | 2.773% | 533,248 |
| Orange County Fire Authority Obligation | 3,590,000 | 5.408% | 194,147 |
| Municipal Water District of Orange County Water Facilities Corporation | 15,965,000 | 3.277% | 523,173 |
| City of Lake Forest Certificates of Participation | 8,325,000 | 100% | 8,325,000 |
| South O. C. Saddleback Community College District (COPS) | 18,845,000 | 6.432% | 1,212,110 |
| Irvine Ranch Water District (COPS) | 85,145,000 | 12.764% | 10,867,908 |
| TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT | | | \$34,144,080 |
| Less: MWDOC Water Facilities Corporation (100% self-supporting) | | | 523,173 |
| City of Lake Forest Certificates of Participation (100% self-supporting) | | | 8,325,000 |
| TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT | | | \$25,295,907 |
| GROSS COMBINED TOTAL DEBT (1) | | | \$193,274,939 |
| NET COMBINED TOTAL DEBT | | | \$184,426,765 |

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

CITY OF LAKE FOREST
Schedule of Direct and Overlapping Bonded Debt
June 30, 2010

| | | |
|---|--------------------|--------------|
| <u>Ratios to 2009-10 Assessed Valuation:</u> | | |
| 2009-10 Assessed Valuation | \$10,915,562,030 | |
| Redevelopment Incremental Valuation | <u>529,612,045</u> | |
| Adjusted Assessed Valuation | \$10,385,949,985 | |
| Total Overlapping Tax and Assessment Debt | | 1.46% |
| <u>Ratios to Adjusted Assessed Valuation:</u> | | |
| Gross Combined Direct Debt (\$8,325,000) | | 0.08% |
| Net Combined Total Debt (\$0) | | 0.00% |
| Gross Combined Total Debt | | 1.86% |
| Net Combined Total Debt | | 1.78% |
| <u>State School Building Aid Repayable as of 6/30/10:</u> | | \$0 |

Source: California Municipal Statistics, Inc.

Notes:

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF LAKE FOREST
 Legal Debt Margin Information
 Last Ten Fiscal Years

| Fiscal Year | Total Assessed Value of all Real and Personal Property | Debt Limit Percentage | Debt Limit | Amount of Debt Applicable to Debt Limit | Legal Debt Margin |
|-------------|--|--------------------------|---------------|---|-------------------|
| 2001 | 4,916,215,984 | 15% | 737,432,398 | 0 | 737,432,398 |
| 2002 | 6,914,121,486 | 15% | 1,037,118,223 | 0 | 1,037,118,223 |
| 2003 | 7,434,939,657 | 15% | 1,115,240,949 | 0 | 1,115,240,949 |
| 2004 | 7,986,021,059 | 15% | 1,197,903,159 | 0 | 1,197,903,159 |
| 2005 | 8,553,392,946 | 15% | 1,283,008,942 | 0 | 1,283,008,942 |
| 2006 | 9,258,891,763 | 15% | 1,388,833,764 | 0 | 1,388,833,764 |
| 2007 | 10,155,956,671 | 15% | 1,523,393,501 | 0 | 1,523,393,501 |
| 2008 | 10,894,702,550 | 15% | 1,634,205,383 | 0 | 1,634,205,383 |
| 2009 | 11,189,196,810 | 15% | 1,678,379,522 | 0 | 1,678,379,522 |
| 2010 | 10,915,562,030 | 15% | 1,637,334,305 | 0 | 1,637,334,305 |

Source: City Finance Department

CITY OF LAKE FOREST
Demographic and Economic Statistics
Last Ten Calendar Years

| Calendar Year | Population (1) | Personal Income (in thousands) (2) | Per Capita Personal Income (2) | Unemployment Rate (3) |
|------------------|-------------------|--|---|-----------------------------|
| 2001 | 76,089 | 109,010,278 | 37,614 | 2.7% |
| 2002 | 76,703 | 111,750,294 | 38,109 | 3.4% |
| 2003 | 77,442 | 117,722,484 | 39,745 | 3.3% |
| 2004 | 77,740 | 125,670,056 | 42,115 | 2.9% |
| 2005 | 78,020 | 133,031,819 | 44,453 | 2.6% |
| 2006 | 77,859 | 143,949,044 | 48,209 | 2.3% |
| 2007 | 78,243 | 150,214,330 | 50,463 | 2.6% |
| 2008 | 78,317 | 155,118,375 | 51,894 | 3.6% |
| 2009 | 78,344 | * | * | 6.2% |
| 2010 | 78,720 | * | * | 6.6% |

* Data is unavailable

Sources: (1) State Department of Finance
(2) Bureau of Economic Analysis (Orange County data)
(3) California Employment Development Department (Lake Forest data)

CITY OF LAKE FOREST
 Full-time and Part-time City Employees
 by Function
 Last Ten Fiscal Years

Full-Time and Part-time Employees as of June 30

| <u>Function</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> ¹ | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--------------------------|-------------|-------------|-------------|-------------|
| General government | 17 | 25 | 28 | 57 | 59 | 43 | 26 | 28 | 31 | 28 |
| Public works | 9 | 11 | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 12 |
| Development services | 17 | 14 | 14 | 15 | 17 | 14 | 14 | 17 | 17 | 16 |
| Community services ² | | | | | | | 20 | 21 | 26 | 25 |
| Police services | | | | | | | | 1 | 2 | 1 |
| Total | <u>43</u> | <u>50</u> | <u>55</u> | <u>86</u> | <u>90</u> | <u>71</u> | <u>74</u> | <u>81</u> | <u>90</u> | <u>82</u> |

¹ Part-time positions were converted to hours beginning in Fiscal Year 2005-06, thus, hours were converted to full-time equivalents after the conversion.

² Newly created department in Fiscal Year 2006-07, previously reflected in General Government.

Source: City Finance Department

CITY OF LAKE FOREST
Principal Employers
Current Year and Nine Years Ago

| Employer | 2010 | | 2001 ² | |
|-----------------------------------|-------------------------------------|-----------------------------------|------------------------|-----------------------------------|
| | Number of Employees ¹ | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| Oakley Inc. | 2,400 | 7.06% | | |
| Western Digital Corporation | 1,158 | 3.41% | | |
| Panasonic Avionics | 1,000 | 2.94% | | |
| Stanley Black & Decker | 397 | 1.17% | | |
| Apria Healthcare Group Inc. | 350 | 1.03% | | |
| Home Depot USA Inc. | 350 | 1.03% | | |
| Wonderware Corporation | 322 | 0.95% | | |
| Wet Seal | 274 | 0.81% | | |
| Eventz Extraordinaire Inc. | 250 | 0.74% | | |
| U.S. Real Estate Services Inc | 230 | 0.68% | | |
| Wal-Mart | 211 | 0.62% | | |
| Sole Technology Inc. | 205 | 0.60% | | |
| Casa Pacifica | 200 | 0.59% | | |
| Saddleback Valley School District | 200 | 0.59% | | |
| Varian, Inc. | 165 | 0.49% | | |
| Top Fifteen Employers Total | <u>7,712</u> | <u>22.68%</u> | | |
| Total Employment ³ | 34,000 | | | |

Source: ¹ Dun & Bradstreet; Nielson Caritas

² Data is not available

³ California Employment Development Department

CITY OF LAKE FOREST

Operating Indicators
by Function

Last Five Fiscal Years ¹

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|--------|--------|--------|--------|--------------------|
| Police: ² | | | | | |
| Arrests | 858 | 1,050 | 954 | 723 | 1,080 |
| Number of calls responded to | 27,000 | 27,531 | 26,371 | 25,452 | 24,505 |
| Public works: | | | | | |
| Street resurfacing (miles) | 21 | 12 | 20 | 8 | 25 |
| Parks and recreation: | | | | | |
| Number of recreation classes ³ | 75 | 104 | 225 | 522 | 590 |
| Number of facility rentals | 10 | 4 | 11 | 63 | 1,487 ⁴ |

¹ Data prior to Fiscal Year 2006 is not available.

² Police services are contracted through the County of Orange.

³ The City contracts with the Saddleback Valley Unified School District for various recreation services; the number of classes shown above represents classes offered directly by the City.

⁴ This increase is primarily related to park rentals which were recently approved and an increase in rentals at City Hall.

Source: City of Lake Forest

CITY OF LAKE FOREST

Capital Asset Statistics
by Function

Last Five Fiscal Years ¹

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Police: | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Public works: | | | | | |
| Streets (miles) | 155 | 188 | 188 | 188 | 188 |
| Traffic signals | 86 | 92 | 93 | 94 | 95 |
| Parks and recreation: | | | | | |
| Parks | 21 | 21 | 27 | 27 | 27 |
| Community centers | 1 | 1 | 1 | 1 | 1 |

¹ Data prior to Fiscal Year 2006 is unavailable.

Source: City of Lake Forest