

CITY OF LAKE FOREST CALIFORNIA



Comprehensive Annual Financial Report

Year Ended June 30, 2013

CITY OF LAKE FOREST, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FISCAL YEAR ENDED JUNE 30, 2013

Prepared by:

Finance Department

Keith D. Neves
Director of Finance/City Treasurer

CITY OF LAKE FOREST

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Mayor
Scott Voigts

Mayor Pro Tem
Kathryn McCullough

Council Members
Peter Herzog
Adam Nick
Dwight Robinson

City Manager
Robert C. Dunek

December 20, 2013

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 2013, is submitted herewith; this report was prepared by the auditors and the Finance Department.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally-accepted accounting principals ("GAAP"). Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by White Nelson Diehl Evans LLP., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis: evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2013, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of Federal, State, and County financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluations by management. Under Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, which was revised June 24, 1997, the City met the criteria for periodic evaluation and, therefore, was required to and did have a single audit performed for fiscal year ending June 30, 2013.



GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors Report.

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 78,501 (Department of Finance, January 2013). 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 twice in the City's history.

The City has operated under the council-manager form of government since 1991. Policy making and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Council members serve four-year staggered terms. The mayor serves a one-year term and is selected for the position annually by the City Council as a whole. 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; the construction and maintenance of highways, streets, and other infrastructure; recreational and cultural activities; and, building and safety, land use planning, and zoning control services. The City is financially accountable for the Lake Forest Housing Authority, which is reported separately within the City's financial statements. 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. Additional information regarding all of these legally separate entities can be found in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in January of each year. The City Manager uses these request as the starting point for developing a proposed budget. After a series of study sessions with the community and the City Council, the City Manager formally presents this proposed budget to the City Council for review in May. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget on or around June 30, the close of the fiscal year. The adopted budget is prepared by fund, function, and department. The City 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.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The health of the general economy of the area has started to improve over the last couple years, and the City's overall revenues have either grown or remained stable over this period. Revenue increases are anticipated to continue in the current fiscal year. Major industries located within the City's boundaries include internationally known brand manufacturers of scientific and spectrographic instruments, sunglasses and sports-related goggles, 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 various separate shopping centers.

Major sources of employment from industries and companies located within the City's boundaries include: sales, office, and administrative support (28%); management, business, and financial operations (21%); professional-related occupations (19%); and services (17%). 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. (Other categories include: construction, extraction, maintenance: 7.5%, farm, fishing, forestry: 0.4% and production, transportation, material moving: 6.8%)

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 high of 6.6% in 2010 due to the ongoing effects of the recession. Unemployment has been steadily decreasing during the last two years as the economy recovers. The current unemployment rate is 4.0% (Employment Development Department, October 2013)

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 87% (still the same) for office space to 95% for industrial properties.

During the past ten years, the City's operating expenditure increases in the General Fund were primarily due to annexations, park additions, and expansion of services and street maintenance requirements as the City matured. In the City's major cost centers, expenditures related to police services and public works account for the largest percentage of those increases. The City has contracted police protection services with the County of Orange since incorporation, and the contract represents approximately 38% 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 during the past ten years. 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, 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).

Long-term financial planning

Unreserved fund balance in the General Fund (110% 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, City Hall, 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. Continue Implementation of Phase V of the Opportunities Study, focusing on construction of a major sports park and recreation center, and finalizing plans for a civic center including a meeting facility, senior center, policing center, and performance venue.
2. Continue supporting development of new master planned communities.
3. Synchronize traffic signals and improve street intersections throughout the City.
4. Continue the City's priority on growing and enhancing the City's Business Development and Attraction Program to attract new businesses and high quality jobs to the City.
5. Complete park improvements based on the Five-Year Parks and Recreation Master Plan, and initiate improvements to other recreation facilities and unimproved park sites.
6. Upgrade the existing permitting system to facilitate future online services.
7. Integrate geographic information systems (GIS) mapping capabilities into existing processes.
8. Expand the Neighborhood Watch and Business Watch programs.
9. Advertise and promote new City services including passport acceptance and notary services.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the Fiscal Year ended June 30, 2012.

This was the nineteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report 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 City's entire management team and staff of the Finance Department. Special thanks are due to Kevin Shirah, Accounting Manager, and Lee Jueen Siow, Senior Accountant. Their dedicated efforts in the preparation of the final financial documents are reflected in the quality of this report. Credit also must be given to the City 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



Keith D. Neves
Director of Finance/City Treasurer



Government Finance Officers Association

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

Presented to

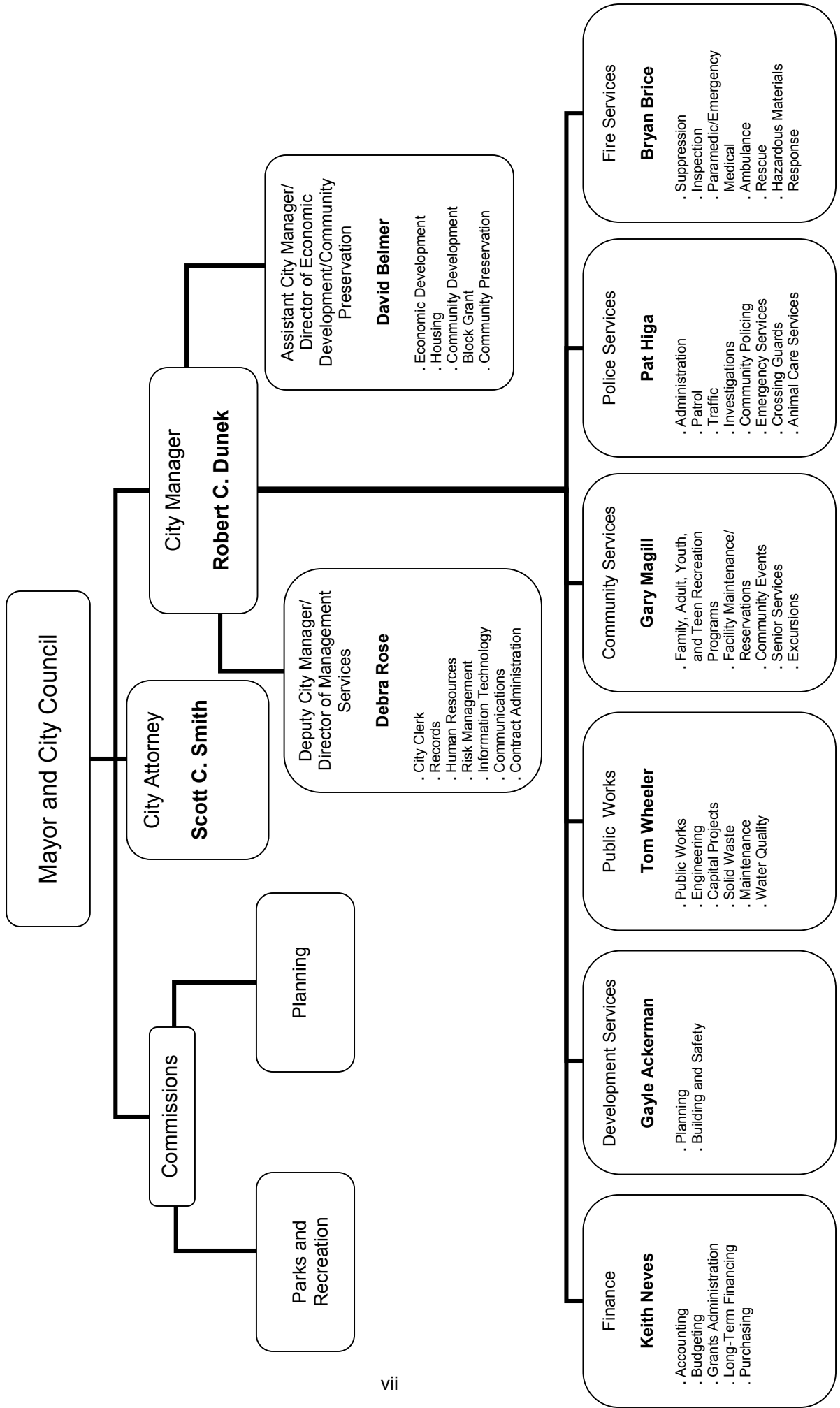
**City of Lake Forest
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

ORGANIZATIONAL CHART



City of Lake Forest

City Officials

City Council

Scott Voigts, Mayor
Kathryn McCullough, Mayor Pro Tem
Peter Herzog, Council Member
Adam Nick, Council Member
Dwight Robinson, Council Member

City Manager

Robert C. Dunek

Gayle Ackerman, Director of Development Services
David Belmer, Assistant City Manager/
Director of Economic Development – Community Preservation
Lieutenant Pat Higa, Chief of Police Services
Bryan Brice, Division Chief - Fire Services
Gary Magill, Director of Community Services
Keith D. Neves, Director of Finance/City Treasurer
Debra Rose, Deputy City Manager/
Director of Management Services
Scott C. Smith, City Attorney
Tom Wheeler, Director of Public Works/City Engineer

Prepared by the Finance Department

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Lake Forest
Lake Forest, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Lake Forest (the City) as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matters

As discussed in Note 1d to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Nick Evans LLP

Irvine, California
December 20, 2013

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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, 2013. 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 \$312.9 million (net position). Of this amount, \$41.3 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2.9 million. This increase is attributable to revenues being in excess of expenses.
- Total revenues from all sources were \$45.5 million as compared to the cost for all City programs of \$42.6 million.

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

Fund Based

- Total governmental fund balances were \$59.7 million. Nonspendable were \$0.6 million, restricted were \$18.1 million, and unassigned were \$41.0 million.
- Total governmental fund balances decreased by \$16.1 million. This decrease is attributable to an excess of expenditures as compared to revenues.
- Total governmental revenues from all sources were \$46.5 million as compared to expenditures of \$62.6 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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The *statement of activities* presents information on how the City's net position changed during the fiscal year. All changes in net position 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 Housing Authority (Housing Authority) and the Rancho Cañada Financing Authority (Financing Authority) for which the City is financially accountable. Financial information for the Housing Authority (a component unit) is reported separately from the financial information presented for the primary government itself. The Housing and Financing Authorities are presented as other governmental funds. The Housing and Financing Authorities 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 fourteen 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, Community Development Block Grant Special Revenue, Financing Authority Debt Service and Opportunities Study Area Capital Projects, 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.

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.

See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 basic 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 other governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$312.9 million at the close of the most recent fiscal year. By far, the largest portion of the City's net position (84%) reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment).

Table 1
Net Position
(in millions)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$73.2	\$93.8
Capital assets	<u>261.7</u>	<u>241.8</u>
Total assets	<u>\$334.9</u>	<u>\$335.6</u>
Current and other liabilities	\$11.7	\$14.4
Long-term debt liabilities	<u>10.3</u>	<u>11.2</u>
Total liabilities	<u>\$22.0</u>	<u>\$25.6</u>
Net position:		
Net investment in capital assets	\$261.7	\$230.8
Restricted	9.9	7.3
Unrestricted	<u>41.3</u>	<u>71.9</u>
Total net position	<u>\$312.9</u>	<u>\$310.0</u>

An additional portion of the City's net position (3%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of \$41.3 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The City's net position increased by \$2.9 million during the current fiscal year. Key elements of the increase are as follows:

Total revenues were \$45.5 million as compared to prior year revenues of \$70.8 million and major contributing revenue variations from the prior year are described below.

- Charges for services increased by \$1.5 million, primarily due to development activities for the Opportunity Study Area.
- Capital grants and contributions decreased by \$22.0 million due to contributions of land to be used for the Alton Parkway Gap Closure and future Civic Center site in previous fiscal year.
- Property taxes (general purpose and increment) increment decreased by \$2.9 million due to the dissolution of the former Lake Forest Redevelopment Agency.
- Other revenue decreased by \$1.8 million due to various reimbursements for Alton Parkway Gap Closure and Rancho Parkway Gap Closure capital improvement projects completed in prior year.

Total costs for all City programs were \$42.6 million as compared to prior year costs of \$47.0 million and material variances from the prior year are described below.

- Governmental activities costs decreased roughly \$4.4 million across various departments as a result of redevelopment dissolution and cost savings.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

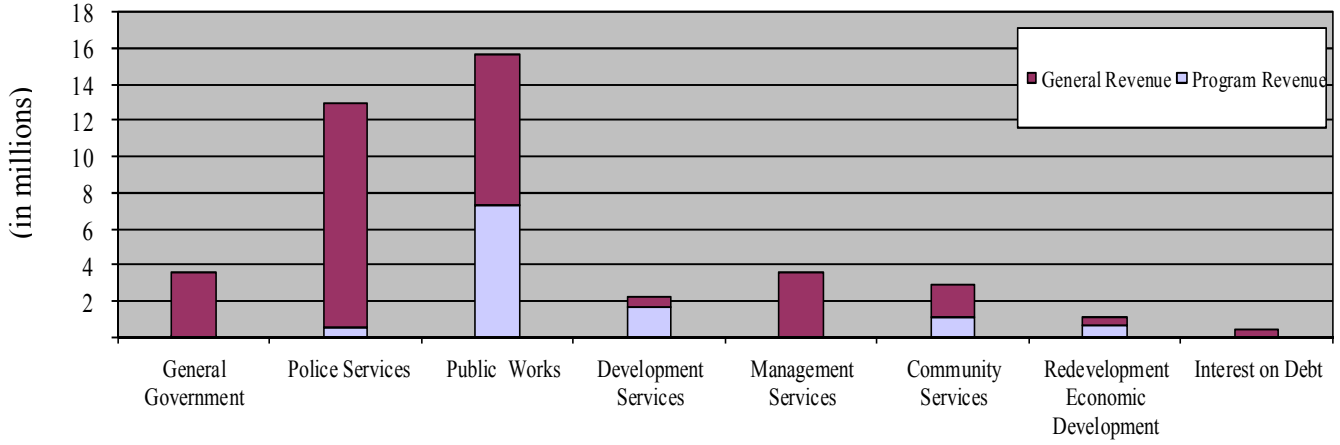
Table 2
Changes in Net Position
(in millions)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$5.7	\$4.2
Operating contributions and grants	4.0	4.1
Capital contributions and grants	1.7	23.7
General revenues:		
Taxes:		
Property taxes	14.4	17.3
Sales taxes	13.1	13.0
Transient occupancy taxes	2.8	2.7
Franchise taxes	2.2	2.2
Motor vehicle in-lieu tax	0.1	0.1
Investment income	0.2	0.4
Other	1.3	3.1
Total revenues	<u>\$45.5</u>	<u>\$70.8</u>
Expenses:		
General government	\$3.6	\$4.4
Public safety	13.0	12.7
Public works	15.7	18.3
Development services	2.3	3.2
Management services	3.6	1.9
Community services	2.9	3.2
Redevelopment/economic development	1.1	2.5
Interest on long-term debt	0.4	0.8
Total expenses	<u>\$42.6</u>	<u>\$47.0</u>
Change in net position, before extraordinary items	\$2.9	\$23.8
Extraordinary items:		
Gain on transfer to successor agency		\$2.2
Repayment of redevelopment agency transfers	—	(4.2)
Total extraordinary items	—	<u>(\$2.0)</u>
Change in net position	<u>\$2.9</u>	<u>\$21.8</u>
Net position at beginning of year	<u>\$310.0</u>	<u>\$288.2</u>
Net position at end of year	<u>\$312.9</u>	<u>\$310.0</u>

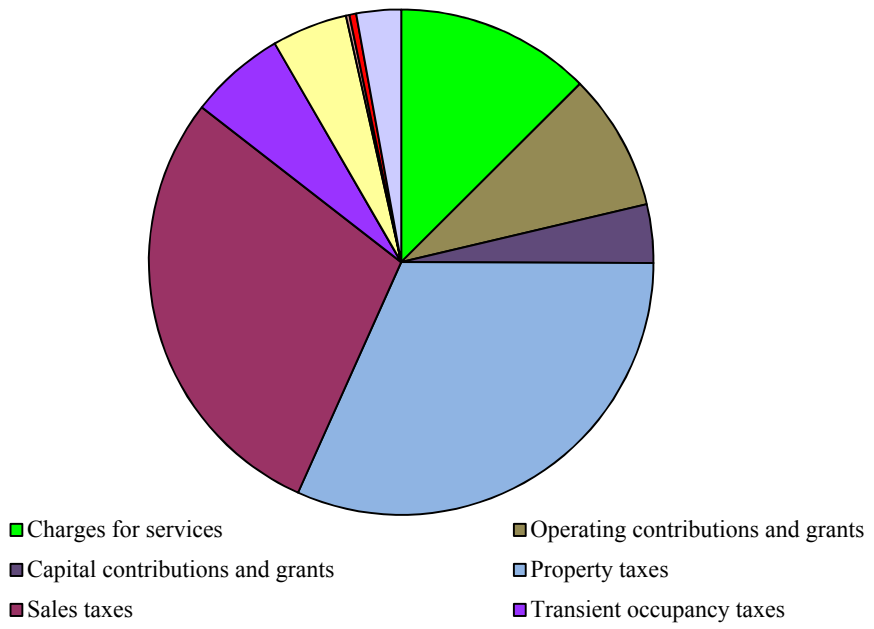
See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Funding of Governmental Activities



Revenues by Source - Governmental Activities



See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, unassigned 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 \$59.7 million, a decrease of \$16.1 million in comparison with the prior year. Of this amount, \$0.6 million is nonspendable prepaid items that are reserved to indicate that it is not available for new spending because it offsets noncurrent financial resources that are not expected to be liquidated in the near term, \$18.1 million is for a variety of restricted purposes, and \$41.0 million is unassigned which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$42.9 million, while total fund balance reached \$43.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund operating expenditures. Unassigned fund balance represents 116% of total General Fund expenditures, while total fund balance represents 117% of that same amount.

Fund balance in the City's General Fund increased \$2.0 million during the current fiscal year. Key factors in this increase are as follows:

- Revenues increased from a year ago by \$0.5 million. Taxes increased by \$1.8 million, primarily attributable to the economy starting to bounce back after the ongoing effect of the recession. Intergovernmental revenues increased by \$0.8 million mostly due to more grant opportunities for capital improvement projects. Other revenue decreased by \$2.1 million due to various reimbursements for capital improvement projects throughout the City in prior year. The remaining portion is related to smaller fluctuations in other revenue accounts.
- Expenditures decreased by \$12.2 million. Capital outlay costs decreased by \$11.9 million primarily due to a certain larger projects in progress in previous fiscal year, such as street repaving and slurry seal, the Alton Parkway Gap Closure, the Rancho Parkway extension, and various improvement projects. The remaining portion is related to smaller variances in various expenditure accounts in other departments.

The City has three other major funds, the Community Development Block Grant Special Revenue, the Financing Authority Debt Service and the Opportunities Study Area Capital Projects Funds.

The Community Development Block Grant Special Revenue Fund is used to account for receipts and expenditures under the federal Community Development Block Grant Program. The fund ended the year with a decrease in fund balance of \$0.02 million related directly to the activities of the program.

See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The Financing Authority Debt Service Fund is used to account for debt service activities for the 2011 Lease Financing Certificates of Participation. The fund ended the year with a decrease in fund balance of \$0.4 million due to debt service payments made during the year.

The Opportunities Study Area Capital Projects 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 Sports Park and Recreation Center. This fund ended the year with a decrease in fund balance of \$20.4 million. Expenditures increased by \$15.4 million, mostly attributable to acquisition, planning, design, and grading costs of the above noted capital projects.

Proprietary fund. The internal service vehicle replacement fund net position amounted to \$0.5 million at June 30, 2013. Of this amount, \$0.4 million is reported as unrestricted and \$0.1 million is reported as net investment in capital assets.

General Fund Budgetary Highlights

Revenues

The difference between original and final amended budgeted revenues was an increase of \$2.0 million. The most notable mid-year revenue adjustments were made to Taxes and Charges for Services.

Actual revenues were higher than budgeted amounts by \$0.5 million. Licenses and Permits revenues were less than the budget by \$0.2 million primarily due to the actual issuance of building permits were less than expected. Intergovernmental revenues were more than the budget by \$0.7 million primarily due to grants from various capital improvement projects. The remaining budget variance is related to smaller fluctuations in other revenue categories.

Expenditures

The difference between original and final amended budgeted expenditures was \$10.3 million. This difference was mostly due to \$8.1 million in carryover appropriations of operating and capital projects that were not completed in Fiscal Year 2011-12. The remaining difference of \$2.2 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 \$11 million primarily attributable to savings across several departments and capital improvement projects not completed during the year.

See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$261.7 million net of accumulated depreciation.

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

- Land increased \$15.5 million primarily related to acquisition of land for the Sports Park.
- Infrastructure increased \$16.2 million primarily related to completed Alton Parkway Gap Closure, Rancho Parkway extension, and multiple streetscapes projects being capitalized and added to the City's infrastructure assets.
- Costs in the construction in progress category decreased \$11.7 million primarily due to the capitalization of completed capital improvements projects as described above.
- Costs in the building and improvements category decreased by \$0.1 million primarily related to depreciation expense.

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$110.1	\$94.6
Machinery and equipment	0.2	0.2
Buildings and improvements	1.3	1.4
Construction in progress	15.8	27.5
Infrastructure:		
Streets	71.9	67.7
Curbs, gutters and sidewalks	26.4	25.8
Storm drain system	9.9	5.8
Traffic signal system	4.0	3.1
Medians	10.8	3.7
Park improvements	<u>11.3</u>	<u>12.0</u>
Total	<u>\$261.7</u>	<u>\$241.8</u>

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

See independent auditors' report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$11.7 million, an increase of \$0.1 million from the prior fiscal year. Total long-term debt outstanding represents the issuance of the 2011 Lease Financing Certificates of Participation ("Certificates") for the City's share of the Alton Parkway Improvement Project and compensated absences. Principal and interest on the Certificates are due in bi-annual payments. Debt service began in December 2011 and the Certificates mature in 2026.

City of Lake Forest - Long-Term Liabilities
(in millions)

	<u>2013</u>	<u>2012</u>
2011 Certificates of Participation	\$11.0	\$11.0
Compensated absences	<u>0.7</u>	<u>0.6</u>
Totals	<u>\$11.7</u>	<u>\$11.6</u>

Additional information on the City's long-term liabilities 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, 2013, unemployment rate for the City was 3.7% as compared to the rate of 5.3% one year ago. The City's rate compares favorably to the State's unemployment rate of 8.9% and the national average rate of 7.6%.

The City's Fiscal Year 2013-14 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 2013-14 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 2013-14.

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.

See independent auditors' report.

CITY OF LAKE FOREST
STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 55,763,708
Receivables:	
Taxes	2,011,109
Accounts	359,661
Interest	20,446
Grants	742,605
Loans	1,631,358
Due from other governments	799,828
Due from Successor Agency	86,981
Prepaid items	267,395
Pension asset	700,502
Land held for resale	326,000
Other post-employment benefit (OPEB) asset	267,164
Unamortized bond issuance costs	65,673
Restricted assets:	
Cash and investments held by fiscal agent	10,120,470
Capital assets:	
Not being depreciated	125,931,426
Being depreciated, net	135,792,716
TOTAL ASSETS	<u><u>334,887,042</u></u>
LIABILITIES:	
Accounts payable	9,278,244
Accrued salaries and benefits	184,132
Interest payable	36,002
Retentions payable	268,207
Unearned revenue	166,428
Deposits payable	404,241
Noncurrent liabilities:	
Due within one year	1,393,300
Due in more than one year	10,254,865
TOTAL LIABILITIES	<u><u>21,985,419</u></u>
NET POSITION:	
Net investment in capital assets	261,724,142
Restricted for:	
Low and moderate income housing	326,000
Redevelopment/economic development	2,962,213
Public safety	85,471
Public works	5,081,398
Community services	1,424,333
Unrestricted	41,298,066
TOTAL NET POSITION	<u><u>\$ 312,901,623</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,631,087	\$ 19,310	\$ -	\$ -
Public safety	13,042,863	403,329	134,367	-
Public works	15,675,226	2,440,566	3,150,497	1,669,232
Development services	2,276,925	1,730,035	-	-
Management services	3,573,679	-	-	-
Community services	2,860,468	1,129,883	-	-
Redevelopment/economic development	1,129,619	-	718,286	-
Interest on long-term liabilities	437,281	-	-	-
Total governmental activities	<u>\$ 42,627,148</u>	<u>\$ 5,723,123</u>	<u>\$ 4,003,150</u>	<u>\$ 1,669,232</u>

General revenues:

Taxes:

- Property tax, levied for general purpose
- Sales tax
- Transient occupancy tax
- Franchise tax
- Motor vehicle license in lieu, unrestricted

Investment income

Other

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

See independent auditors' report and notes to basic financial statements.

Net (Expense)
Revenue and
Changes in
Net Position
Governmental
Activities

\$ (3,611,777)
(12,505,167)
(8,414,931)
(546,890)
(3,573,679)
(1,730,585)

(411,333)
(437,281)

(31,231,643)

14,395,454
13,063,075
2,823,471
2,249,330
33,397
215,956
1,369,432

34,150,115

2,918,472

309,983,151

\$ 312,901,623

CITY OF LAKE FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

		Special Revenue Fund	Debt Service Fund
	General	Community Development Block Grant	Financing Authority
ASSETS			
Cash and investments	\$ 44,732,689	\$ -	\$ -
Cash and investments held by fiscal agent	-	-	10,120,470
Receivables:			
Taxes	2,011,109	-	-
Accounts	359,197	-	-
Interest	18,977	36	-
Grants	548,569	108,332	-
Loans	-	1,239,971	-
Due from other governments	144,211	-	-
Due from other funds	33,038	-	-
Due from Successor Agency	86,981	-	-
Prepaid items	267,395	-	-
Land held for resale	-	-	-
TOTAL ASSETS	\$ 48,202,166	\$ 1,348,339	\$ 10,120,470
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 4,199,804	\$ 53,606	\$ -
Accrued salaries and benefits	183,656	476	-
Retentions payable	7,501	2,307	-
Due to other funds	-	17,038	-
Deferred revenue	218,074	1,239,971	-
Deposits payable	404,241	-	-
TOTAL LIABILITIES	5,013,276	1,313,398	-
FUND BALANCES (DEFICIT):			
Nonspendable	267,395	-	-
Restricted	-	34,941	10,120,470
Unassigned	42,921,495	-	-
TOTAL FUND BALANCES (DEFICIT)	43,188,890	34,941	10,120,470
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,202,166	\$ 1,348,339	\$ 10,120,470

See independent auditors' report and notes to basic financial statements.

Capital Projects		
<u>Fund</u>		
<u>Opportunities</u>	<u>Other</u>	<u>Total</u>
<u>Study</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Area</u>	<u>Funds</u>	<u>Funds</u>
\$ 2,531,420	\$ 8,077,154	\$ 55,341,263
-	-	10,120,470
-	-	2,011,109
-	160	359,357
1,433	-	20,446
-	85,704	742,605
-	391,387	1,631,358
225,235	430,382	799,828
-	-	33,038
-	-	86,981
-	-	267,395
-	326,000	326,000
<u>\$ 2,758,088</u>	<u>\$ 9,310,787</u>	<u>\$ 71,739,850</u>
\$ 4,334,550	\$ 690,284	\$ 9,278,244
-	-	184,132
258,399	-	268,207
-	16,000	33,038
65,275	391,387	1,914,707
-	-	404,241
<u>4,658,224</u>	<u>1,097,671</u>	<u>12,082,569</u>
-	326,000	593,395
-	7,887,116	18,042,527
(1,900,136)	-	41,021,359
<u>(1,900,136)</u>	<u>8,213,116</u>	<u>59,657,281</u>
<u>\$ 2,758,088</u>	<u>\$ 9,310,787</u>	<u>\$ 71,739,850</u>

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CITY OF LAKE FOREST

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2013

Fund balances - total governmental funds \$ 59,657,281

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

Capital assets net of depreciation have not been included as financial resources in governmental funds.

Capital assets	\$ 357,748,606	
Accumulated depreciation	<u>(96,129,429)</u>	
		261,619,177

Long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred revenue in the fund financial statements.

Loans and grants		1,748,279
------------------	--	-----------

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 Position. This amount represents the remaining costs to be amortized over the life of the bonds.

65,673

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consists of the following:

Compensated absences	\$ (683,165)	
Certificates of participation bonds payable	<u>(10,965,000)</u>	
Total long-term liabilities		(11,648,165)

Governmental funds report contributions to OPEB and pension plans as expenditures when paid. Pre-funding is capitalized and expensed when due in the Statement of Net Position.

Other Post Employment Benefit Asset	\$ 267,164	
Pension asset	<u>700,502</u>	
		967,666

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.

(36,002)

Internal service funds are used by management to charge the costs of vehicle replacement to individual funds. The assets and liabilities of the internal service fund are included in the Statement of Net Position.

527,714

Net position of governmental activities \$ 312,901,623

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2013

	General	Special Revenue Fund Community Development Block Grant	Debt Service Financing Authority
REVENUES:			
Taxes	\$ 32,531,330	\$ -	\$ -
Licenses and permits	683,862	-	-
Intergovernmental	2,486,740	487,862	-
Charges for services	1,682,495	-	-
Developer contributions	-	-	-
Fines and forfeitures	403,329	-	-
Investment income	53,759	453	-
Other	1,055,976	157,978	-
TOTAL REVENUES	38,897,491	646,293	-
EXPENDITURES:			
Current:			
General government	3,609,581	-	-
Public safety	12,908,810	-	-
Public works	7,105,311	-	-
Development services	2,276,925	-	-
Management services	3,414,653	-	-
Community services	2,812,393	-	-
Redevelopment/economic development	929,524	345,074	-
Capital outlay	3,827,014	323,537	-
Debt service:			
Interest and fiscal charges	-	-	432,021
TOTAL EXPENDITURES	36,884,211	668,611	432,021
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,013,280	(22,318)	(432,021)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(4,587)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,587)	-	-
NET CHANGE IN FUND BALANCES	2,008,693	(22,318)	(432,021)
FUND BALANCES - BEGINNING OF YEAR	41,180,197	57,259	10,552,491
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 43,188,890	\$ 34,941	\$ 10,120,470

See independent auditors' report and notes to basic financial statements.

Capital Projects		
Fund		
Opportunities	Other	Total
Study	Governmental	Governmental
Area	Funds	Funds
\$ -	\$ -	\$ 32,531,330
-	-	683,862
-	3,335,754	6,310,356
-	1,868	1,684,363
1,371,808	1,548,828	2,920,636
-	-	403,329
29,265	9,559	93,036
541,706	150,376	1,906,036
<u>1,942,779</u>	<u>5,046,385</u>	<u>46,532,948</u>
10,766	-	3,620,347
-	124,644	13,033,454
-	1,795,785	8,901,096
-	-	2,276,925
-	-	3,414,653
-	45,006	2,857,399
-	11,121	1,285,719
22,338,920	335,170	26,824,641
-	-	432,021
<u>22,349,686</u>	<u>2,311,726</u>	<u>62,646,255</u>
<u>(20,406,907)</u>	<u>2,734,659</u>	<u>(16,113,307)</u>
-	4,587	4,587
-	-	(4,587)
<u>-</u>	<u>4,587</u>	<u>-</u>
(20,406,907)	2,739,246	(16,113,307)
<u>18,506,771</u>	<u>5,473,870</u>	<u>75,770,588</u>
<u>\$ (1,900,136)</u>	<u>\$ 8,213,116</u>	<u>\$ 59,657,281</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

For the year ended June 30, 2013

Net change in fund balances - total governmental funds \$(16,113,307)

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 cost of those assets is allocated over their estimated useful lives as depreciation expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. Donated capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. This activity is reconciled as follows:

Depreciation	\$ (5,807,925)	
Capital outlay, net of disposals	<u>25,688,067</u>	19,880,142

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:

Current year amortization of bond issuance costs		(5,260)
--	--	---------

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and, therefore, are not reported as revenues in the governmental funds:

Intergovernmental	\$ (757,388)	
Other	<u>(229,940)</u>	(987,328)

Some expenses reported in the Statement of Activities utilize current financial resources, but are not expensed in the Statement of Activities until due.

OPEB expense	\$ 197,239	
Amortization of pension side fund	<u>(100,072)</u>	97,167

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.

(63,141)

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.

156,100

Internal service funds are used by management to charge the costs of vehicle replacement to individual funds. The net revenues of the internal service fund are reported with governmental activities.

(45,901)

Change in net position of governmental activities

\$ 2,918,472

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE FOREST
STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2013

	<u>Governmental</u> <u>Activites</u> Internal Service Fund
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 422,445
Receivables:	
Accounts	304
TOTAL CURRENT ASSETS	<u>422,749</u>
NONCURRENT ASSETS:	
Capital assets:	
Being depreciated	445,003
Less: accumulated depreciation	<u>(340,038)</u>
TOTAL NONCURRENT ASSETS	<u>104,965</u>
TOTAL ASSETS	<u>527,714</u>
NET POSITION:	
Net investment in capital assets	104,965
Unrestricted	<u>422,749</u>
TOTAL NET POSITION	<u>\$ 527,714</u>

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND

For the year ended June 30, 2013

	Governmental Activites
	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Current service charges	\$ -
OPERATING EXPENSES:	
Depreciation expense	<u>50,051</u>
OPERATING LOSS	(50,051)
NON-OPERATING REVENUES:	
Gain on sale of fixed assets	<u>4,150</u>
CHANGE IN NET POSITION	(45,901)
NET POSITION AT BEGINNING OF YEAR	<u>573,615</u>
NET POSITION AT END OF YEAR	<u><u>\$ 527,714</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE FOREST
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2013

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>\$ (78,077)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,077)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>500,522</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 422,445</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (50,051)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	<u>50,051</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ -</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF LAKE FOREST
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund	<u>Agency Funds</u>
ASSETS:			
Cash and investments	\$ 988,803	\$ -	\$ 83,942
Cash and investments held by trust	-	442,322	-
Due from other governments	910,517	-	-
	<u>1,899,320</u>	<u>442,322</u>	<u>\$ 83,942</u>
TOTAL ASSETS			
	<u>1,899,320</u>	<u>442,322</u>	<u>\$ 83,942</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	1,241	-	\$ -
Due to the City of Lake Forest	86,981	-	-
Interest payable	25,318	-	-
Deposits payable	-	-	83,942
TOTAL CURRENT LIABILITIES	<u>113,540</u>	<u>-</u>	<u>\$ 83,942</u>
LONG-TERM LIABILITIES:			
Due within one year	245,000	-	
Due in more than one year	7,380,000	-	
TOTAL LONG-TERM LIABILITIES	<u>7,625,000</u>	<u>-</u>	
TOTAL LIABILITIES	<u>7,738,540</u>	<u>-</u>	
NET POSITION:			
Restricted for private purpose	(5,839,220)	-	
Held in trust for OPEB benefits	-	442,322	
TOTAL NET POSITION	<u>\$ (5,839,220)</u>	<u>\$ 442,322</u>	

See independent auditor's report and notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2013

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund
	<u>Trust Fund</u>	<u>Trust Fund</u>
ADDITIONS:		
Other income	\$ 910,517	\$ -
Employer contributions	-	242,100
Investment income	-	9,366
	<u>910,517</u>	<u>251,466</u>
TOTAL ADDITIONS		
DEDUCTIONS:		
Redevelopment/economic development	110,102	-
Interest and fiscal charges	308,488	-
Payments to county	9,751,501	-
Benefits	-	4,799
Administrative expense	-	4,345
	<u>10,170,091</u>	<u>9,144</u>
TOTAL DEDUCTIONS		
CHANGE IN NET POSITION	(9,259,574)	242,322
NET POSITION - BEGINNING OF YEAR	<u>3,420,354</u>	<u>200,000</u>
NET POSITION - END OF YEAR	<u>\$ (5,839,220)</u>	<u>\$ 442,322</u>

See independent auditor's report and notes to basic financial statements.

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CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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 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 Housing Authority (the Housing Authority) and the Rancho Cañada Financing Authority (the Financing Authority). The Authorities 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 Housing and Financing Authorities are comprised of the same membership as the City Council. The City may impose its will on the Housing and Financing Authorities, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City, the Housing and Financing Authorities.

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 Housing Authority was established by the City Council in February 2011, and is partly responsible for the administration of providing affordable housing in the City. The activity of the Housing Authority is reported in the Special Revenue Fund.

The Rancho Cañada Financing Authority was established pursuant to the Rancho Cañada 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. The activity of the Financing Authority is reported in the Debt Service Fund.

Separate financial statements for Lake Forest Housing Authority 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 Rancho Cañada Financing Authority does not issue separate financial statements.

See independent auditors’ report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 basic financial statements

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*, as are the fiduciary private-purpose trust and other post-employment benefit trust funds. The City's fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. 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. *Accrual 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.

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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Government-Wide Financial Statements (Continued)

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 in regards to interfund transfers, payables and receivables. All internal balances in the Statement of Net Position 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.

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 between 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 nonspendable fund balance.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Funds (Continued)

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.

Proprietary Fund

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 statement of net position. Their reported fund equity presents total net position. The operating statement of the proprietary fund presents increases (revenues) and decreases (expenses) in total net position. 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 fund 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 activities 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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's Fiduciary private-purpose trust fund is accounted for using the economic resources measurement focus and accrual basis of accounting. The private purpose trust fund accounts for the assets held by the City for the Successor Agency to the Lake Forest Redevelopment Agency. The OPEB trust fund accounts for the activities of the City's plan for post-retirement medical benefits. The City's Fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. 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.

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.

Community Development Block Grant Special Revenue Fund

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

Financing Authority Debt Service Fund

This fund is used to account for debt service activity for the 2011 Lease Financing Certificates of Participation.

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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

The City's fund structure also includes the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

The Capital Projects Funds are used to account for resources restricted or assigned for capital improvements.

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

The Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Lake Forest Redevelopment Agency.

The Other Post-Employment Benefit Trust Fund is used to account for the activities of the City's plan for post-retirement medical benefits.

The Agency Funds are used to account for special deposits for which the City acts as an agent for all special deposit activity.

d. New Accounting Pronouncements:

Implemented:

In fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "*Elements of Financial Statements*" into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards:

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB 65 - "*Items Previously Reported as Assets and Liabilities*", effective for periods beginning after December 15, 2012.
- GASB 66 - "*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*", effective for periods beginning after December 15, 2012.
- GASB 67 - "*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*", effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "*Government Combinations and Disposals of Government Operations*", effective for periods beginning after December 15, 2013.
- GASB 70 - "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*", effective for the periods beginning after June 15, 2013.

e. 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 the proprietary fund, the City considers the entire pooled cash and investment balance to be cash and cash equivalents.

f. Investments:

Investments are reported in the accompanying statement of net position 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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

g. Prepaid Items:

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

h. 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.

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 January 1 each year, and are delinquent, if unpaid, on August 31.

i. 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 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated 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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Capital Assets (Continued):

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

Buildings and improvements	10 years
Computers	3 years
Machinery and equipment	5 years
Vehicles	5 years
Furniture	7 years
Infrastructure:	
Traffic signals	25 years
Median improvements	25 years
Street system - Arterial	35 years
Street system - Residential	50 years
Storm drains	50 years

j. Land Held for Resale:

Land held for resale is carried at lower of cost or estimated net realizable value determined at the date of an executed disposition and development agreement. As of June 30, 2013, the Other Governmental Funds reported land held for resale in the amount of \$326,000.

k. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City does not have any applicable deferred inflows of resources.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

l. Long-Term Debt:

In the Government-Wide Financial Statements, long-term debt is reported as a liability in the Statement of Net Position. Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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.

m. Compensated Absences:

In accordance with GASB Codification 660.110, 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.

n. 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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

2. CASH AND INVESTMENTS:

Cash and Investments

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

	Government Wide Statement of <u>Net Position</u>	Fiduciary Funds Statement of <u>Net Position</u>	<u>Total</u>
Cash and investments	\$ 55,763,708	\$ 1,072,745	\$ 56,836,453
Restricted:			
Cash and investments held by trust	-	442,322	442,322
Cash and investments held by fiscal agent	<u>10,120,470</u>	<u>-</u>	<u>10,120,470</u>
Total Cash and investments	<u>\$ 65,884,178</u>	<u>\$ 1,515,067</u>	<u>\$ 67,399,245</u>

Cash and investments consist of cash on hand, deposits and investments, as noted below:

Cash on hand	\$ 1,350
Deposits with financial institutions	3,620,918
Investments	<u>63,776,977</u>
Total cash and investments	<u>\$ 67,399,245</u>

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

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. This table does not address investments of the employer contributions to the other post-employment benefit trust that are governed by the trust agreement.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity *	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer *
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	4 years	None	None
U.S. Agency Securities	Yes	4 years	60%	20%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	180 days	15%	5%
Negotiable Certificates of Deposit	Yes	3 years	20%	5%
Non-negotiable Certificates of Deposit	Yes	2 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	No	2 years	20%	10%
Money Market Mutual Funds	Yes	None	10%	None
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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

2. CASH AND INVESTMENTS (CONTINUED):

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.

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>
United States Government		
Sponsored Agency Securities	\$ 7,944,320	2.78
State Investment Pool (LAIF)	26,447,481	N/A
California Asset Management		
Program (CAMP)	15,785,549	N/A
Money Market Mutual Funds	13,157,305	N/A
Money Market Mutual Funds -OPEB Trust	442,322	N/A
	<u>\$ 63,776,977</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 Standard and Poor's or Moody's actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Total as of June 30, 2013</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
U.S. Government Sponsored					
Agency Securities	\$ 7,944,320	N/A	\$ -	\$ 7,944,320	\$ -
State Investment Pool (LAIF)	26,447,481	N/A	-	-	26,447,481
California Asset Management					
Program (CAMP)	15,785,549	N/A	15,785,549	-	-
Money Market Mutual Funds	13,157,305	A	13,157,305	-	-
Money Market Mutual Funds - OPEB Trust	442,322	N/A	-	-	442,322
Total	<u>\$ 63,776,977</u>		<u>\$ 28,942,854</u>	<u>\$ 7,944,320</u>	<u>\$ 26,889,803</u>

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

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 43. At June 30, 2013, there were no 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.

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. At June 30, 2013, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

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 prorate 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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

2. CASH AND INVESTMENTS (CONTINUED):

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 trust.

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 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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 94,637,193	\$ 15,484,678	\$ -	\$ 110,121,871
Construction in progress	<u>27,526,949</u>	<u>6,363,242</u>	<u>(18,080,636)</u>	<u>15,809,555</u>
Total capital assets, not being depreciated	<u>122,164,142</u>	<u>21,847,920</u>	<u>(18,080,636)</u>	<u>125,931,426</u>
Capital assets, being depreciated:				
Buildings and improvements	1,742,934	-	-	1,742,934
Machinery and equipment	2,889,306	130,440	(372,849)	2,646,897
Infrastructure	<u>206,003,451</u>	<u>21,872,266</u>	<u>(3,365)</u>	<u>227,872,352</u>
Total capital assets, being depreciated	<u>210,635,691</u>	<u>22,002,706</u>	<u>(376,214)</u>	<u>232,262,183</u>
Less accumulated depreciation for:				
Buildings and improvements	(349,919)	(78,037)	-	(427,956)
Machinery and equipment	(2,678,195)	(142,202)	372,849	(2,447,548)
Infrastructure	<u>(87,959,591)</u>	<u>(5,637,737)</u>	<u>3,365</u>	<u>(93,593,963)</u>
Total accumulated depreciation	<u>(90,987,705)</u>	<u>(5,857,976)</u>	<u>376,214</u>	<u>(96,469,467)</u>
Total capital assets, being depreciated, net	<u>119,647,986</u>	<u>16,144,730</u>	<u>-</u>	<u>135,792,716</u>
Capital assets, net	<u>\$ 241,812,128</u>	<u>\$ 37,992,650</u>	<u>\$ (18,080,636)</u>	<u>\$ 261,724,142</u>

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

3. CAPITAL ASSETS (CONTINUED):

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

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

General government	\$ 98,937
Public safety	9,409
Public works, including depreciation of infrastructure assets	5,637,556
Management services	58,954
Community services	3,069
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	<u>50,051</u>
Total depreciation expense - governmental activities	<u>\$ 5,857,976</u>

Construction Commitments

As of June 30, 2013, 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	\$ 44,722,700	\$ 42,942,680	\$ 1,780,020
Recreation center	1,832,600	1,604,310	228,290

4. INTERFUND ACTIVITIES:

Due From/Due To Other Funds

Amounts due from and due to other funds at June 30, 2013 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Special Revenue Fund	\$ 17,038
	Other Governmental Funds	<u>16,000</u>
		<u>\$ 33,038</u>

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

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

4. INTERFUND ACTIVITIES (CONTINUED):

Interfund Transfers

Interfund transfers during the year ended June 30, 2013 consisted of the following:

<u>Governmental Activities</u>	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
General Fund	Program support	\$ -	\$ (4,587)	\$ (4,587)
Other Governmental Funds	Program support	<u>4,587</u>	<u>-</u>	<u>4,587</u>
		<u>\$ 4,587</u>	<u>\$ (4,587)</u>	<u>\$ -</u>

5. LONG-TERM LIABILITIES:

The change in the City's long-term liabilities during the year ended June 30, 2013 consisted of the following:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
2011 Certificates of Participation	\$ 10,965,000	\$ -	\$ -	\$ 10,965,000	\$ 995,000	\$ 9,970,000
Compensated absences	<u>620,024</u>	<u>461,369</u>	<u>(398,228)</u>	<u>683,165</u>	<u>398,300</u>	<u>284,865</u>
Total long-term liabilities	<u>\$ 11,585,024</u>	<u>\$ 461,369</u>	<u>\$ (398,228)</u>	<u>\$ 11,648,165</u>	<u>\$ 1,393,300</u>	<u>\$ 10,254,865</u>

2011 Certificates of Participation

On August 1, 2011, the Rancho Cañada Financing Authority issued \$10,965,000 in Certificates of Participation for the Alton Parkway Improvement Project. Interest is payable beginning December 1, 2011, and semiannually on each June 1 and December 1. The interest rate is 3.84%. The certificates mature serially beginning December 1, 2013 through December 1, 2025. The outstanding balance at June 30, 2013 was \$10,965,000.

The Certificates utilize an asset transfer structure, whereby, concurrent with the debt issuance, the City entered into a lease agreement with the Rancho Cañada Financing Authority with respect to Foothill Ranch Community Park and Tamarisk Park, (collectively, the "Leased Property"). The City will sublease the Leased Property to the Authority, and the Authority will sublease the property to the City. The City is obligated to pay lease payments under the lease agreement from any legally available monies. The lease payments are calculated to be an amount sufficient to pay all principal and interest represented by the Certificates when due.

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CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

5. LONG-TERM LIABILITIES (CONTINUED):

2011 Certificates of Participation (Continued)

Annual debt service requirements to maturity for these Certificates of Participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 995,000	\$ 419,118	\$ 1,414,118
2015	700,000	386,022	1,086,022
2016	735,000	358,146	1,093,146
2017	755,000	328,991	1,083,991
2018	790,000	298,948	1,088,948
2019-2023	4,430,000	998,695	5,428,695
2024-2026	<u>2,560,000</u>	<u>153,168</u>	<u>2,713,168</u>
	<u>\$ 10,965,000</u>	<u>\$ 2,943,088</u>	<u>\$ 13,908,088</u>

The Certificates of Participation are subject to federal arbitrage regulations. The City has no arbitrage calculation due until August 2016.

Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1m. This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2013, the outstanding balance was \$683,165.

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description

In connection with the retirement benefits for employees described in Note 12, the City provides post-retirement medical benefits to retirees. The Plan is a multi-employer defined benefit plan with PARS. These benefits are available to employees who retire with the City with at least 5 years of service with a minimum retirement age of 50 years. The retiree is entitled to participate in the City sponsored medical plan and the City contributes up to \$80.50 per month toward the premium for employee only coverage under the City sponsored medical plans. The Plan does not issue a publicly available financial report. In fiscal year 2010-2011, the City established the other post-employment benefit trust and transferred \$200,000 to an irrevocable trust from the prefunded amounts. The plan and trust are reported as a fiduciary fund other post-employment benefit trust.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Plan Description (Continued)

Below is the plan participant data as of June 30, 2013:

Retirees and beneficiaries receiving benefit	7
Active plan members	<u>64</u>
Total plan participants	<u>71</u>

Accounting for the Plan

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, the City's City Council, and/or the employee associations. The City's contribution of \$247,263 in fiscal year 2012-2013 included \$242,100 paid into a trust to fund the OPEB obligation and \$5,163 in medical premiums paid for its retirees and their covered dependents. The plan does not require employee contributions. Administrative costs of this plan are financed through investment earnings.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 50,024
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>50,024</u>
Actual contributions made	<u>(247,263)</u>
Increase in net OPEB asset	(197,239)
Net OPEB Asset - beginning of year	<u>(69,925)</u>
Net OPEB Asset - end of year	<u><u>\$ (267,164)</u></u>

The City's annual OPEB cost, the actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ended June 30, 2013, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/11	\$ 68,046	\$ 4,839	11.5 %	\$ 63,207
06/30/12	71,206	204,338	287.0 %	(69,925)
06/30/13	50,024	247,263	494.3 %	(267,164)

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 90.2% funded (actuarial value of assets as a percentage of actuarial accrued liability). The actuarial accrued liability for benefits was \$499,136, and the actuarial value of assets was \$450,239, resulting in an unfunded actuarial accrued liability (UAAL) of \$48,897. Assets were valued using a five year smoothing formula with a 20% corridor around market value. The covered payroll (annual payroll of active employees covered by the plan) was \$5,201,037 and the ratio of the UAAL to the covered payroll was 0.94%.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and the schedule of employer contributions, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits and the percentage of the annual required contribution that was contributed.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment interest rate of 5.25% per annum (net of administrative expenses), and a general inflation rate of 2.75% per annum. Medical premiums were assumed to increase annually at a rate of 4%. The UAAL is being amortized as a level percentage of projected payroll over 30 years on a closed basis for the initial UAAL and an open 30 year amortization for any residual UAAL.

7. RISK MANAGEMENT:

Description of Self-insurance Pool Pursuant to Joint Powers Agreement

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

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

7. RISK MANAGEMENT (CONTINUED):

Self-Insurance Programs of the Insurance Authority

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

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

Liability - In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Insurance Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3 million annual aggregate deductible is fully retained by the Insurance Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

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

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

7. RISK MANAGEMENT (CONTINUED):

Self-Insurance Programs of the Insurance Authority (Continued)

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

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

Purchased Insurance

Property Insurance. The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. City property currently has all-risk property insurance protection in the amount of \$14,148,565. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$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 Insurance Authority. City property currently has earthquake protection in the amount of \$2,936,410. There is a deductible of 5% of per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

7. RISK MANAGEMENT (CONTINUED):

Purchased Insurance (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 Insurance Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2012-2013.

8. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balance

The following Major Fund had a deficit fund balance at June 30, 2013.

Opportunities Study Area Capital Projects Fund	\$ 1,900,136
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This deficit fund balance will be eliminated by future revenue.

Excess of Expenditures over Appropriations

Expenditures for the year ended June 30, 2013 exceeded appropriations in the following funds:

	Final Budget	Actual	Variance with Final Budget
Major Funds:			
General Fund:			
General government - City manager	\$ 639,700	\$ 657,324	\$ (17,624)
Financing Authority Debt Service Fund:			
Debt service - Interest and fiscal charges	432,000	432,021	(21)
Opportunities Study Area Capital Projects Fund:			
General government	-	10,766	(10,766)
Other Governmental Funds - Special Revenue Funds:			
Housing Authority:			
Redevelopment capital outlay	-	56,429	(56,429)

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES:

Net Position Classifications

The City's net position at June 30, 2013 is tabulated below, followed by explanations as to the nature and purpose of each classification.

Net investment in capital assets:	
Capital assets, not being depreciated	\$ 125,931,426
Depreciable capital assets, net	<u>135,792,716</u>
Net investment in capital assets	<u>261,724,142</u>
Restricted net position:	
Low and moderate income housing	326,000
Redevelopment/economic development	2,962,213
Public safety	85,471
Public works	5,081,398
Community services	<u>1,424,333</u>
Total restricted net position	<u>9,879,415</u>
Unrestricted net position	<u>41,298,066</u>
Total net position	<u>\$ 312,901,623</u>

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

Restricted Net Position - 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 Position - This category represents the net position of the City that is not restricted for any project or other purpose.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES
(CONTINUED):

Governmental Fund Balance Classifications

The City's governmental fund balances at June 30, 2013 are tabulated below, followed by explanations as to the nature and purpose of each classification.

	General Fund	Community Development Block Grant Special Revenue Fund	Financing Authority Debt Service Fund	Opportunities Study Area Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid items	\$ 267,395	\$ -	\$ -	\$ -	\$ -	\$ 267,395
Land held for resale	-	-	-	-	326,000	326,000
Restricted for:						
Street maintenance	-	-	-	-	1,928,768	1,928,768
Air quality	-	-	-	-	839,859	839,859
Grant programs	-	34,941	-	-	85,471	120,412
Housing programs	-	-	-	-	99,934	99,934
Debt service	-	-	120,470	-	-	120,470
Capital projects	-	-	10,000,000	-	4,933,084	14,933,084
Unassigned	<u>42,921,495</u>	<u>-</u>	<u>-</u>	<u>(1,900,136)</u>	<u>-</u>	<u>41,021,359</u>
	<u>\$43,188,890</u>	<u>\$ 34,941</u>	<u>\$ 10,120,470</u>	<u>\$ (1,900,136)</u>	<u>\$ 8,213,116</u>	<u>\$ 59,657,281</u>

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts that have been limited to specific purposes as defined in the City's Municipal Code or through adoption of an ordinance by the City Council, the highest level of decision making authority of the City. These commitments may be changed or lifted but only by the same formal action that was used to impose the constraint originally. City Council has not delegated such authority. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES
(CONTINUED):

Governmental Fund Balance Classifications (Continued)

Assigned Fund Balance - This classification includes amounts that are intended to be used by the City for specific purposes through the City Council budgetary actions but do not meet the criteria to be classified as restricted or committed. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned Fund Balance - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, and then assigned fund balance, and finally unassigned fund balance.

10. OPERATING LEASES:

The City leases the City Hall facility and other equipment under noncancelable operating leases. The City Hall lease expires June 30, 2014 with monthly lease payments of \$59,415. The various equipment leases expire in July 2013 through July 2015 with monthly lease payments of \$1,476. Facility and equipment lease expense for the year ended June 30, 2013 was \$738,938. The future minimum lease payments for these leases for the next three years are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 739,708
2015	13,482
2016	<u>1,124</u>
	<u>\$ 754,314</u>

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013

11. 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 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, 2013. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

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

12. DEFERRED COMPENSATION PLANS:

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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

12. DEFERRED COMPENSATION PLANS (CONTINUED):

Effective July 1, 2005, the City established the PARS Retirement Enhancement Plan, a 401(a) defined contribution for the City manager. The plan provides a supplemental retirement benefit in addition to CalPERS retirement benefit. An employee shall participate in this plan if he is employed as City Manager of the City as of July 1, 2005. The participant contributes a percentage of his compensation pursuant to the tier prescribed in the plan. The amount of contribution ranges from 0% to 20% of compensation and will be determined by the City. The participant set at a contribution level other than 0% may not change his contribution percentage at any time. The participant initially set at 0% will be reviewed annually by the City for changes in contribution percentage. The City makes monthly contributions to the plan in an amount determined annually by the City subject to IRC 415 limits. The assets of the plan are held for the exclusive benefit of the plan participant and his beneficiaries and the assets shall not be diverted for any other purpose. The 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 401(a) plan assets were placed in trust for the exclusive benefit of the employee and his 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.

13. PENSION PLANS:

Defined Benefit Plan

Plan Description

The City participates in the Miscellaneous 2% at 55 and 2% at 62 Risk Pools of the California Public Employees Retirement System (CalPERS), cost sharing multiple-employer defined benefit pension plans. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by CalPERS. Copies of the CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Contributions and Funding Policy

The contribution rate for plan members in the CalPERS 2% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary, which is paid by the employees. The required employer contribution rates for the 2% at 55 Risk Pool Retirement Plan for fiscal years 2013, 2012 and 2011 were 10.238%, 12.17%, and 11.336%, respectively. This plan is open to qualified employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the PERS System).

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

13. PENSION PLANS (CONTINUED):

Defined Benefit Plan (Continued)

Contributions and Funding Policy (Continued)

Upon the implementation of the California Employees' Pension Reform Act (PEPRA) on January 1, 2013, the CalPERS 2% at 62 Risk Pool Retirement Plan was created and is open to all new employees who do not qualify for the 2% at 55 Risk Pool Retirement Plan. Active plan members of the Plan are required to contribute 6.25% of their annual covered salary, which is paid by the employees. The required employer contribution rates for the 2% at 62 Risk Pool Retirement Plan for fiscal year 2013, the first year the plan was effective, is 6.25%.

Benefit provisions and all other requirements are established by State statute and 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 is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. The City's contributions to the plans for the years ended June 30, 2011, 2012 and 2013 were \$581,791, \$634,180 and \$533,589, respectively, and were equal to the required contributions for each year.

Defined Contribution Plan

Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by Social Security or an alternate plan. In accordance with this federal law, the City provides pension benefits for all part-time, seasonal and temporary employees through the City of Lake Forest Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6.2% by the employee and 1.3% by the City. All part-time, seasonal or temporary employees are immediately eligible to participate in the plan from the date of employment and all contributions are fully vested. The contribution requirements are established by Federal statutes and may be amended by the Federal government.

For the year ended June 30, 2013, the City's payroll covered by the plan was \$436,990. Contributions to the plan totaled \$32,775 with employee contributions in the amount of \$27,094 (6.2% of current covered payroll) and City contributions in the amount of \$5,681 (1.3% of current covered payroll).

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

13. PENSION PLANS (CONTINUED):

Prepayment of Pension (Side Fund) Asset to the California Public Retirement System (CalPERS)

The City's CalPERS Miscellaneous Pension Plan which has less than 100 active members was required to enroll in a CalPERS risk-sharing pool in 2003. As part of that enrollment process, CalPERS calculated the funded status of each Plan and compared that amount to the funded status of the risk pool at inception. The difference (side-fund liability) for these Plans was financed by CalPERS at the assumed rate of return of the CalPERS pooled investment fund over a closed period equal to the average amortization period at the plan's date of entry into the CalPERS Risk Pool, which was 15 years for the City. On June 19, 2012, via City Council action, the City elected to prepay the remaining balance of the side fund liability totaling \$800,574. This amount has been capitalized as *Pension asset* in the Statement of Net Position and will be amortized on a straight-line basis through June 30, 2020 which would have been the remaining life of the side fund if prepayment had not occurred. At June 30, 2013, the unamortized portion of the *Pension asset* was \$700,502, and amortization expense for the fiscal year was \$100,072.

14. COMMITMENTS AND 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.

2004 Certificates of Participation

On March 1, 2004, the Rancho Cañada Financing Authority issued \$9,505,000 in Certificates of Participation. The outstanding balance at June 30, 2013 was \$7,625,000. Upon dissolution of the Lake Forest Redevelopment Agency on February 1, 2012, these Certificates of Participation were transferred to the Successor Agency (see Note 15). The debt service payments have been approved by the State of California Department of Finance as an enforceable obligation of the Successor Agency, should the Department of Finance change its position, this would become an obligation of the City.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package, which dissolved the redevelopment agency.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a “Dissolved RDA”) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 17, 2012, the City elected to serve as the Successor Agency to the Lake Forest Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA’s housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Lake Forest Housing Authority elected on January 17, 2012 to serve as the Housing Successor Agency.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

See independent auditors’ report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency made payments totaling \$9,751,501 to the CAC as a result of the due diligence review.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The DOF issued a Finding of Completion on April 26, 2013 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews.

Management believes, in consultation with legal counsel, that the obligations which includes transfers and repayment of advances for the City of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

16. SUCESSOR AGENCY DISCLOSURES:

Long-Term Liabilities

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

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Due Within One Year	Due in More Than One Year
2004 Certificates of Participation	\$ 7,865,000	\$ -	\$ (240,000)	\$ 7,625,000	\$ 245,000	\$ 7,380,000

2004 Certificates of Participation

On March 1, 2004, the Rancho Cañada 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 outstanding balance at June 30, 2013 was \$7,625,000.

The Certificates utilize an asset transfer structure whereby, concurrent with the above debt issuance, the City entered into a lease agreement with the Rancho Cañada 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.

See independent auditors' report.

CITY OF LAKE FOREST

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2013

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued)

2004 Certificates of Participation (Continued)

Annual debt service requirements to maturity for these Certificates of Participation are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 245,000	\$ 300,143	\$ 545,143
2015	255,000	292,388	547,388
2016	260,000	284,018	544,018
2017	270,000	275,138	545,138
2018	280,000	265,647	545,647
2019-2023	1,560,000	1,160,305	2,720,305
2024-2028	1,900,000	811,765	2,711,765
2029-2033	2,330,000	367,200	2,697,200
2034	<u>525,000</u>	<u>11,156</u>	<u>536,156</u>
	<u>\$ 7,625,000</u>	<u>\$ 3,767,760</u>	<u>\$ 11,392,760</u>

The Certificates of Participation are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of March 2009 and will next calculate arbitrage in March 2014.

17. SUBSEQUENT EVENTS:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 20, 2013, the date the financial statements were available to be issued.

See independent auditors' report.

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CITY OF LAKE FOREST

OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2013

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/(c)
11/01/11	\$ -	\$ 442,859	\$ 442,859	0.00%	\$ 5,115,936	8.66%
06/30/13	\$ 450,239	\$ 499,136	\$ 48,897	90.20%	\$ 5,201,037	0.94%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 68,041	7.11%
2012	68,041	300.30%
2013	50,024	494.29%

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 30,882,100	\$ 32,442,100	\$ 32,531,330	\$ 89,230
Licenses and permits	755,000	905,000	683,862	(221,138)
Intergovernmental	1,881,900	1,769,300	2,486,740	717,440
Charges for services	1,107,800	1,657,800	1,682,495	24,695
Developer contributions	20,400	39,000	-	(39,000)
Fines and forfeitures	515,000	445,000	403,329	(41,671)
Investment income	160,000	160,000	53,759	(106,241)
Other	1,099,300	999,300	1,055,976	56,676
TOTAL REVENUES	36,421,500	38,417,500	38,897,491	479,991
EXPENDITURES:				
Current:				
General government:				
City council	152,700	152,700	116,094	36,606
City manager	639,700	639,700	657,324	(17,624)
City attorney	1,147,000	1,487,000	1,450,275	36,725
City clerk	584,900	607,900	547,487	60,413
Finance	942,900	942,900	838,401	104,499
Public safety:				
Police services	13,186,500	13,214,000	12,908,810	305,190
Public works	6,877,500	7,338,800	7,105,311	233,489
Development services	2,200,200	2,465,200	2,276,925	188,275
Management services	3,420,100	3,674,200	3,414,653	259,547
Community services	3,093,200	3,123,200	2,812,393	310,807
Redevelopment/economic development	1,783,000	1,783,000	929,524	853,476
Capital outlay	3,554,100	12,507,997	3,827,014	8,680,983
TOTAL EXPENDITURES	37,581,800	47,936,597	36,884,211	11,052,386
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,160,300)	(9,519,097)	2,013,280	11,532,377
OTHER FINANCING USES:				
Transfers out	-	(4,587)	(4,587)	-
NET CHANGE IN FUND BALANCE	(1,160,300)	(9,523,684)	2,008,693	11,532,377
FUND BALANCE - BEGINNING OF YEAR	41,180,197	41,180,197	41,180,197	-
FUND BALANCE - END OF YEAR	\$ 40,019,897	\$ 31,656,513	\$ 43,188,890	\$ 11,532,377

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 532,900	\$ 532,900	\$ 487,862	\$ (45,038)
Investment income	500	500	453	(47)
Other	35,000	35,000	157,978	122,978
TOTAL REVENUES	568,400	568,400	646,293	77,893
EXPENDITURES:				
Current:				
Redevelopment/economic development	413,400	413,400	345,074	68,326
Capital outlay	155,000	431,967	323,537	108,430
TOTAL EXPENDITURES	568,400	845,367	668,611	176,756
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(276,967)	(22,318)	254,649
FUND BALANCE - BEGINNING OF YEAR	57,259	57,259	57,259	-
FUND BALANCE - END OF YEAR	\$ 57,259	\$ (219,708)	\$ 34,941	\$ 254,649

See independent auditors' report.

CITY OF LAKE FOREST

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

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.

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. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

FINANCING AUTHORITY DEBT SERVICE FUND - MAJOR FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Debt service:			
Interest and fiscal charges	<u>432,000</u>	<u>432,021</u>	<u>(21)</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(432,000)	(432,021)	(21)
FUND BALANCE - BEGINNING OF YEAR	<u>10,552,491</u>	<u>10,552,491</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 10,120,491</u></u>	<u><u>\$ 10,120,470</u></u>	<u><u>\$ (21)</u></u>

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

OPPORTUNITIES STUDY AREA CAPITAL PROJECTS FUND - MAJOR FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 1,431,500	\$ 1,371,808	\$ (59,692)
Investment income	-	29,265	29,265
Other	-	541,706	541,706
	<u>1,431,500</u>	<u>1,942,779</u>	<u>511,279</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	-	10,766	(10,766)
Capital outlay	22,411,855	22,338,920	72,935
	<u>22,411,855</u>	<u>22,349,686</u>	<u>62,169</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,980,355)	(20,406,907)	573,448
FUND BALANCE - BEGINNING OF YEAR	<u>18,506,771</u>	<u>18,506,771</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (2,473,584)</u>	<u>\$ (1,900,136)</u>	<u>\$ 573,448</u>

See independent auditors' report.

CITY OF LAKE FOREST
OTHER GOVERNMENTAL FUNDS

June 30, 2013

SPECIAL REVENUE FUNDS

Measure M Fund - The 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 and for the Senior Mobility Program.

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.

Gas Tax 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 Proposition 1B of the State of California. These funds are earmarked for maintenance, rehabilitation, or improvement of public streets.

Housing Authority Fund - This fund is used to account for receipts and expenditures of a portion of the affordable housing administration in the City.

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

Lake Forest Transportation Mitigation Fund - This fund is used to account 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.

CITY OF LAKE FOREST

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue Funds			
	Measure M	Air Quality Improvement	Supplemental Law Enforcement Grant	Asset Forfeiture
ASSETS				
Cash and investments	\$ 902,765	\$ 815,210	\$ -	\$ 16,030
Receivables:				
Accounts	-	-	-	-
Grants	-	-	16,000	69,704
Loans	-	-	-	-
Due from other governments	405,733	24,649	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	\$ 1,308,498	\$ 839,859	\$ 16,000	\$ 85,734
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 7,771	\$ -	\$ -	\$ 263
Due to other funds	-	-	16,000	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	7,771	-	16,000	263
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	1,300,727	839,859	-	85,471
TOTAL FUND BALANCES	1,300,727	839,859	-	85,471
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,308,498	\$ 839,859	\$ 16,000	\$ 85,734

See independent auditors' report.

Special Revenue Funds (Continued)			Capital Projects Funds			Total Other Governmental Funds
Gas Tax	Housing Authority	Justice Assistance Grant	Lake Forest Transportation Mitigation	Park Development	Affordable Housing	
\$ 1,308,424	\$ 101,641	\$ -	\$ 2,312,771	\$ 1,424,333	\$ 1,195,980	\$ 8,077,154
-	160	-	-	-	-	160
-	-	-	-	-	-	85,704
-	391,387	-	-	-	-	391,387
-	-	-	-	-	-	430,382
-	326,000	-	-	-	-	326,000
<u>\$ 1,308,424</u>	<u>\$ 819,188</u>	<u>\$ -</u>	<u>\$ 2,312,771</u>	<u>\$ 1,424,333</u>	<u>\$ 1,195,980</u>	<u>\$ 9,310,787</u>
\$ 680,383	\$ 1,867	\$ -	\$ -	\$ -	\$ -	\$ 690,284
-	-	-	-	-	-	16,000
-	391,387	-	-	-	-	391,387
<u>680,383</u>	<u>393,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,097,671</u>
-	326,000	-	-	-	-	326,000
<u>628,041</u>	<u>99,934</u>	<u>-</u>	<u>2,312,771</u>	<u>1,424,333</u>	<u>1,195,980</u>	<u>7,887,116</u>
<u>628,041</u>	<u>425,934</u>	<u>-</u>	<u>2,312,771</u>	<u>1,424,333</u>	<u>1,195,980</u>	<u>8,213,116</u>
<u>\$ 1,308,424</u>	<u>\$ 819,188</u>	<u>\$ -</u>	<u>\$ 2,312,771</u>	<u>\$ 1,424,333</u>	<u>\$ 1,195,980</u>	<u>\$ 9,310,787</u>

CITY OF LAKE FOREST

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2013

	Special Revenue Funds			
	Measure M	Air Quality Improvement	Supplemental Law Enforcement Grant	Asset Forfeiture
REVENUES:				
Intergovernmental	\$ 1,175,439	\$ 94,136	\$ 118,782	\$ 77,616
Charges for services	1,868	-	-	-
Developer contributions	-	-	-	-
Investment income	1,825	1,876	-	30
Other	-	-	-	-
TOTAL REVENUES	1,179,132	96,012	118,782	77,646
EXPENDITURES:				
Current:				
Public safety	-	-	118,782	-
Public works	-	-	-	-
Community services	45,006	-	-	-
Redevelopment/economic development	-	-	-	-
Capital outlay	275,187	-	-	3,554
TOTAL EXPENDITURES	320,193	-	118,782	3,554
EXCESS OF REVENUES OVER EXPENDITURES	858,939	96,012	-	74,092
OTHER FINANCING SOURCES:				
Transfers in	4,587	-	-	-
NET CHANGE IN FUND BALANCES	863,526	96,012	-	74,092
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	437,201	743,847	-	11,379
FUND BALANCES - END OF YEAR	<u>\$ 1,300,727</u>	<u>\$ 839,859</u>	<u>\$ -</u>	<u>\$ 85,471</u>

See independent auditors' report.

Special Revenue Funds (Continued)			Capital Projects Funds			Total Other Governmental Funds
Gas Tax	Housing Authority	Justice Assistance Grant	Lake Forest Transportation Mitigation	Park Development	Affordable Housing	
\$ 1,849,405	\$ -	\$ 20,376	\$ -	\$ -	\$ -	\$ 3,335,754
-	-	-	-	-	-	1,868
-	-	-	133,020	809,650	606,158	1,548,828
3,420	383	-	-	958	1,067	9,559
-	150,376	-	-	-	-	150,376
<u>1,852,825</u>	<u>150,759</u>	<u>20,376</u>	<u>133,020</u>	<u>810,608</u>	<u>607,225</u>	<u>5,046,385</u>
-	-	5,862	-	-	-	124,644
1,795,785	-	-	-	-	-	1,795,785
-	-	-	-	-	-	45,006
-	11,121	-	-	-	-	11,121
-	56,429	-	-	-	-	335,170
<u>1,795,785</u>	<u>67,550</u>	<u>5,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,311,726</u>
57,040	83,209	14,514	133,020	810,608	607,225	2,734,659
-	-	-	-	-	-	4,587
57,040	83,209	14,514	133,020	810,608	607,225	2,739,246
<u>571,001</u>	<u>342,725</u>	<u>(14,514)</u>	<u>2,179,751</u>	<u>613,725</u>	<u>588,755</u>	<u>5,473,870</u>
<u>\$ 628,041</u>	<u>\$ 425,934</u>	<u>\$ -</u>	<u>\$ 2,312,771</u>	<u>\$ 1,424,333</u>	<u>\$ 1,195,980</u>	<u>\$ 8,213,116</u>

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,169,300	\$ 1,175,439	\$ 6,139
Charges for services	-	1,868	1,868
Investment income	5,000	1,825	(3,175)
TOTAL REVENUES	1,174,300	1,179,132	4,832
EXPENDITURES:			
Current:			
Community services	46,300	45,006	1,294
Capital outlay	1,130,000	275,187	854,813
TOTAL EXPENDITURES	1,176,300	320,193	856,107
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,000)	858,939	860,939
OTHER FINANCING SOURCES:			
Transfers in	4,587	4,587	-
NET CHANGE IN FUND BALANCE	2,587	863,526	860,939
FUND BALANCE - BEGINNING OF YEAR	437,201	437,201	-
FUND BALANCE - END OF YEAR	\$ 439,788	\$ 1,300,727	\$ 860,939

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 93,000	\$ 94,136	\$ 1,136
Investment income	4,500	1,876	(2,624)
	<u>97,500</u>	<u>96,012</u>	<u>(1,488)</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Public works	10,000	-	10,000
	<u>87,500</u>	<u>96,012</u>	<u>8,512</u>
EXCESS OF REVENUES OVER EXPENDITURES			
	87,500	96,012	8,512
FUND BALANCE - BEGINNING OF YEAR	<u>743,847</u>	<u>743,847</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 831,347</u>	<u>\$ 839,859</u>	<u>\$ 8,512</u>

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

SUPPLEMENTAL LAW ENFORCEMENT GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 130,000	\$ 118,782	\$ (11,218)
EXPENDITURES:			
Current:			
Public safety	<u>130,000</u>	<u>118,782</u>	<u>11,218</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

ASSET FORFEITURE SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ -	\$ 77,616	\$ 77,616
Investment income	-	30	30
	<u>-</u>	<u>77,646</u>	<u>77,646</u>
TOTAL REVENUES	<u>-</u>	<u>77,646</u>	<u>77,646</u>
EXPENDITURES:			
Current:			
Public Safety	67,500	-	67,500
Capital outlay	6,500	3,554	2,946
	<u>74,000</u>	<u>3,554</u>	<u>70,446</u>
TOTAL EXPENDITURES	<u>74,000</u>	<u>3,554</u>	<u>70,446</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,000)	74,092	148,092
FUND BALANCE - BEGINNING OF YEAR	<u>11,379</u>	<u>11,379</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (62,621)</u>	<u>\$ 85,471</u>	<u>\$ 148,092</u>

See independent auditors' report.

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 2,199,870	\$ 1,849,405	\$ (350,465)
Investment income	<u>4,000</u>	<u>3,420</u>	<u>(580)</u>
TOTAL REVENUES	2,203,870	1,852,825	(351,045)
EXPENDITURES:			
Current:			
Public works	<u>1,921,800</u>	<u>1,795,785</u>	<u>126,015</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	282,070	57,040	(225,030)
FUND BALANCE - BEGINNING OF YEAR	<u>571,001</u>	<u>571,001</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 853,071</u></u>	<u><u>\$ 628,041</u></u>	<u><u>\$ (225,030)</u></u>

See independent auditors' report.

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY SPECIAL REVENUE FUND
 For the year ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment income	\$ -	\$ 383	\$ 383
Other	<u>72,000</u>	<u>150,376</u>	<u>78,376</u>
TOTAL REVENUES	<u>72,000</u>	<u>150,759</u>	<u>78,759</u>
EXPENDITURES:			
Current:			
Redevelopment/economic development	387,500	11,121	376,379
Capital outlay	<u>-</u>	<u>56,429</u>	<u>(56,429)</u>
TOTAL EXPENDITURES	<u>387,500</u>	<u>67,550</u>	<u>319,950</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(315,500)	83,209	398,709
FUND BALANCE - BEGINNING OF YEAR	<u>342,725</u>	<u>342,725</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 27,225</u>	<u>\$ 425,934</u>	<u>\$ 398,709</u>

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

JUSTICE ASSISTANCE GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 24,400	\$ 20,376	\$ (4,024)
EXPENDITURES:			
Current:			
Public safety	<u>18,500</u>	<u>5,862</u>	<u>12,638</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,900	14,514	8,614
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(14,514)</u>	<u>(14,514)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (8,614)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,614</u></u>

See independent auditors' report.

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

LAKE FOREST TRANSPORTATION MITIGATION CAPITAL PROJECTS FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Developer contributions	\$ 138,800	\$ 133,020	\$ (5,780)
EXPENDITURES:			
Capital outlay	<u>17,694</u>	<u>-</u>	<u>17,694</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	121,106	133,020	11,914
FUND BALANCE - BEGINNING OF YEAR	<u>2,179,751</u>	<u>2,179,751</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,300,857</u></u>	<u><u>\$ 2,312,771</u></u>	<u><u>\$ 11,914</u></u>

See independent auditors' report.

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 PARK DEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Developer contributions	\$ 844,900	\$ 809,650	\$ (35,250)
Investment income	<u>-</u>	<u>958</u>	<u>958</u>
TOTAL REVENUES	844,900	810,608	(34,292)
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	844,900	810,608	(34,292)
FUND BALANCE - BEGINNING OF YEAR	<u>613,725</u>	<u>613,725</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,458,625</u></u>	<u><u>\$ 1,424,333</u></u>	<u><u>\$ (34,292)</u></u>

See independent auditors' report.

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 AFFORDABLE HOUSING CAPITAL PROJECTS FUND

For the year ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 632,500	\$ 606,158	\$ (26,342)
Investment income	-	1,067	1,067
	632,500	607,225	(25,275)
TOTAL REVENUES			
EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	632,500	607,225	(25,275)
FUND BALANCE - BEGINNING OF YEAR	588,755	588,755	-
FUND BALANCE - END OF YEAR	\$ 1,221,255	\$ 1,195,980	\$ (25,275)

See independent auditors' report.

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CITY OF LAKE FOREST

AGENCY FUNDS

June 30, 2013

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 is used to account 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.

CITY OF LAKE FOREST

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2013

	Road Construction Programs	Strong Motion Instrumentation Program	Building Standards Administration	Totals
ASSETS				
Cash and investments	\$ 67,217	\$ 15,396	\$ 1,329	\$ 83,942
TOTAL ASSETS	<u>\$ 67,217</u>	<u>\$ 15,396</u>	<u>\$ 1,329</u>	<u>\$ 83,942</u>
LIABILITIES				
Deposits payable	\$ 67,217	15,396	\$ 1,329	\$ 83,942
TOTAL LIABILITIES	<u>\$ 67,217</u>	<u>\$ 15,396</u>	<u>\$ 1,329</u>	<u>\$ 83,942</u>

See independent auditors' report.

CITY OF LAKE FOREST

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ROAD CONSTRUCTION PROGRAMS				
ASSETS:				
Cash and investments	\$ 82,852	\$ 505,386	\$ 521,021	\$ 67,217
TOTAL ASSETS	<u>\$ 82,852</u>	<u>\$ 505,386</u>	<u>\$ 521,021</u>	<u>\$ 67,217</u>
LIABILITIES:				
Deposits payable	\$ 82,852	\$ 506,053	\$ 521,688	\$ 67,217
TOTAL LIABILITIES	<u>\$ 82,852</u>	<u>\$ 506,053</u>	<u>\$ 521,688</u>	<u>\$ 67,217</u>
STRONG MOTION INSTRUMENTATION PROGRAM				
ASSETS:				
Cash and investments	\$ 18,336	\$ 5,671	\$ 8,611	\$ 15,396
TOTAL ASSETS	<u>\$ 18,336</u>	<u>\$ 5,671</u>	<u>\$ 8,611</u>	<u>\$ 15,396</u>
LIABILITIES:				
Deposits payable	\$ 18,336	\$ 5,671	\$ 8,611	\$ 15,396
TOTAL LIABILITIES	<u>\$ 18,336</u>	<u>\$ 5,671</u>	<u>\$ 8,611</u>	<u>\$ 15,396</u>
BUILDING STANDARDS ADMINISTRATION				
ASSETS:				
Cash and investments	\$ 1,779	\$ 2,032	\$ 2,482	\$ 1,329
TOTAL ASSETS	<u>\$ 1,779</u>	<u>\$ 2,032</u>	<u>\$ 2,482</u>	<u>\$ 1,329</u>
LIABILITIES:				
Deposits payable	\$ 1,779	\$ 2,032	\$ 2,482	\$ 1,329
TOTAL LIABILITIES	<u>\$ 1,779</u>	<u>\$ 2,032</u>	<u>\$ 2,482</u>	<u>\$ 1,329</u>

See independent auditors' report.

(Continued)

CITY OF LAKE FOREST

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 (CONTINUED)

For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 102,967	\$ 513,089	\$ 532,114	\$ 83,942
TOTAL ASSETS	<u>\$ 102,967</u>	<u>\$ 513,089</u>	<u>\$ 532,114</u>	<u>\$ 83,942</u>
LIABILITIES:				
Deposits payable	\$ 102,967	\$ 513,756	\$ 532,781	\$ 83,942
TOTAL LIABILITIES	<u>\$ 102,967</u>	<u>\$ 513,756</u>	<u>\$ 532,781</u>	<u>\$ 83,942</u>

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2013

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	96 - 103
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	105 - 109
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
Debt Capacity	110 - 113
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt.	
Demographic and Economic Information	114 - 115
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	116 - 118
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.	

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 year ended June 30, 2001; schedules presenting government-wide information include information beginning in that year.

CITY OF LAKE FOREST
NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Governmental activities:				
Net investment in capital assets	\$ 261,724,142	\$ 230,847,108	\$ 196,180,216	\$ 170,707,057
Restricted	9,879,415	7,250,841	10,548,032	10,901,503
Unrestricted	41,298,066	71,885,182	81,447,176	95,586,635
Total governmental activities net position	<u>\$ 312,901,623</u>	<u>\$ 309,983,131</u>	<u>\$ 288,175,424</u>	<u>\$ 277,195,195</u>
Primary government:				
Net investment in capital assets	\$ 261,724,142	\$ 230,847,108	\$ 196,180,216	\$ 170,707,057
Restricted	9,879,415	7,250,841	10,548,032	10,901,503
Unrestricted	41,298,066	71,885,182	81,447,176	95,586,635
Total primary government net position	<u>\$ 312,901,623</u>	<u>\$ 309,983,131</u>	<u>\$ 288,175,424</u>	<u>\$ 277,195,195</u>

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 170,898,743	\$ 151,991,756	\$ 152,736,236	\$ 153,261,503	\$ 147,415,149	\$ 135,849,398
6,965,580	7,917,936	6,756,713	6,145,459	5,478,503	4,899,620
101,720,693	100,096,806	94,134,305	81,927,739	77,610,246	71,876,493
<u>\$ 279,585,016</u>	<u>\$ 260,006,498</u>	<u>\$ 253,627,254</u>	<u>\$ 241,334,701</u>	<u>\$ 230,503,898</u>	<u>\$ 212,625,511</u>
\$ 170,898,743	\$ 151,991,756	\$ 152,736,236	\$ 153,261,503	\$ 147,415,149	\$ 135,849,398
6,965,580	7,917,936	6,756,713	6,145,459	5,478,503	4,899,620
101,720,693	100,096,806	94,134,305	81,927,739	77,610,246	71,876,493
<u>\$ 279,585,016</u>	<u>\$ 260,006,498</u>	<u>\$ 253,627,254</u>	<u>\$ 241,334,701</u>	<u>\$ 230,503,898</u>	<u>\$ 212,625,511</u>

CITY OF LAKE FOREST
CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Expenses:				
Governmental activities:				
General government	\$ 3,631,087	\$ 4,431,490	\$ 4,377,337	\$ 4,621,487
Public safety	13,042,863	12,727,476	12,873,177	12,999,563
Public works	15,675,226	18,319,374	16,115,328	16,921,113
Development services	2,276,925	3,157,839	2,660,830	2,838,603
Management services	3,573,679	1,925,802	1,606,779	1,756,235
Community services	2,860,468	3,196,803	3,058,292	3,102,590
Redevelopment/economic development	1,129,619	2,470,827	2,958,997	1,477,888
Interest on long-term debt	437,281	789,553	332,045	349,056
Total governmental activities expenses	<u>42,627,148</u>	<u>47,019,164</u>	<u>43,982,785</u>	<u>44,066,535</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	19,310	24,229	29,311	20,888
Public safety	403,329	455,602	560,819	490,693
Public works	2,440,566	1,343,146	936,195	121,098
Development services	1,730,035	1,712,059	1,388,941	1,358,687
Management services	-	-	-	-
Community services	1,129,883	679,038	272,446	446,320
Operating grants and contributions	4,003,150	4,082,601	4,830,388	5,444,395
Capital grants and contributions	1,669,232	23,696,197	12,396,561	1,298,378
Total governmental activities program revenues	<u>11,395,505</u>	<u>31,992,872</u>	<u>20,414,661</u>	<u>9,180,459</u>
Total primary government program revenues	<u>11,395,505</u>	<u>31,992,872</u>	<u>20,414,661</u>	<u>9,180,459</u>
Net revenues (expenses):				
Governmental activities	<u>(31,231,643)</u>	<u>(15,026,292)</u>	<u>(23,568,124)</u>	<u>(34,886,076)</u>
Total net revenues (expenses)	<u>(31,231,643)</u>	<u>(15,026,292)</u>	<u>(23,568,124)</u>	<u>(34,886,076)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	14,395,454	17,348,415	17,314,284	15,701,434
Sales taxes	13,063,075	13,046,917	12,630,144	10,912,353
Transient occupancy taxes	2,823,471	2,670,446	2,439,443	1,939,344
Other taxes	2,249,330	2,229,573	2,269,023	2,237,285
Motor vehicle in lieu, unrestricted	33,397	40,353	398,659	230,061
Investment income	215,956	350,785	479,877	1,179,089
Other general revenues	1,369,432	3,094,968	418,151	304,932
Total governmental activities	<u>34,150,115</u>	<u>38,781,457</u>	<u>35,949,581</u>	<u>32,504,498</u>
Total primary government	<u>34,150,115</u>	<u>38,781,457</u>	<u>35,949,581</u>	<u>32,504,498</u>
Changes in net position-Governmental activities				
before Extraordinary items	2,918,472	23,755,165	12,381,457	(2,381,578)
Gain on transfer to Successor Agency	-	2,229,560	-	-
Repayment of redevelopment agency transfers	-	(4,176,998)	-	-
Changes in net position-Governmental activities	<u>2,918,472</u>	<u>21,807,727</u>	<u>12,381,457</u>	<u>(2,381,578)</u>
Total primary government	<u>\$ 2,918,472</u>	<u>\$ 21,807,727</u>	<u>\$ 12,381,457</u>	<u>\$ (2,381,578)</u>

Fiscal Year						
2009	2008	2007	2006	2005	2004	
\$ 4,785,915	\$ 4,203,569	\$ 3,411,235	\$ 3,381,872	\$ 2,932,872	\$ 2,697,390	
12,732,649	12,452,930	10,348,994	10,546,371	9,331,034	9,305,072	
17,401,277	17,924,671	13,234,911	13,033,025	11,874,966	9,863,496	
2,735,908	3,040,972	3,754,817	5,095,288	4,914,100	4,504,509	
1,837,806	1,450,824	1,385,050	2,670,342	2,608,288	2,224,495	
2,963,331	2,673,227	2,473,802	-	-	-	
1,455,462	1,006,979	1,283,418	-	-	-	
387,717	384,850	342,025	348,105	351,954	96,421	
<u>44,300,065</u>	<u>43,138,022</u>	<u>36,234,252</u>	<u>35,075,003</u>	<u>32,013,214</u>	<u>28,691,383</u>	
20,192	8,759	4,933	1,583	4,098	4,370	
560,612	570,473	512,079	485,246	542,722	535,374	
120,296	116,808	87,701	177,002	153,298	213,584	
1,031,280	1,666,111	1,654,938	2,026,050	2,101,270	1,740,111	
-	-	-	128,949	63,502	58,639	
177,438	150,790	109,908	-	-	-	
4,900,050	4,755,995	4,475,783	3,642,056	4,509,756	3,504,114	
13,730	1,051,710	29,406	2,275,705	8,071,746	8,542,590	
<u>6,823,598</u>	<u>8,320,646</u>	<u>6,874,748</u>	<u>8,736,591</u>	<u>15,446,392</u>	<u>14,598,782</u>	
<u>6,823,598</u>	<u>8,320,646</u>	<u>6,874,748</u>	<u>8,736,591</u>	<u>15,446,392</u>	<u>14,598,782</u>	
<u>(37,476,467)</u>	<u>(34,817,376)</u>	<u>(29,359,504)</u>	<u>(26,338,412)</u>	<u>(16,566,822)</u>	<u>(14,092,601)</u>	
<u>(37,476,467)</u>	<u>(34,817,376)</u>	<u>(29,359,504)</u>	<u>(26,338,412)</u>	<u>(16,566,822)</u>	<u>(14,092,601)</u>	
17,045,323	16,150,989	15,955,895	14,260,592	12,200,460	7,825,583	
12,482,010	13,676,717	15,278,307	15,182,510	13,888,086	12,432,181	
2,227,264	2,813,764	2,657,295	2,168,862	1,789,195	1,305,742	
2,354,422	2,287,907	2,815,753	2,660,320	2,491,189	2,471,229	
266,153	346,806	494,643	202,814	2,081,262	3,548,946	
2,544,784	5,090,792	4,335,205	2,671,639	1,748,082	602,708	
131,494	829,645	114,959	22,478	246,935	195,055	
<u>37,051,450</u>	<u>41,196,620</u>	<u>41,652,057</u>	<u>37,169,215</u>	<u>34,445,209</u>	<u>28,381,444</u>	
<u>37,051,450</u>	<u>41,196,620</u>	<u>41,652,057</u>	<u>37,169,215</u>	<u>34,445,209</u>	<u>28,381,444</u>	
(425,017)	6,379,244	12,292,553	10,830,803	17,878,387	14,288,843	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>(425,017)</u>	<u>6,379,244</u>	<u>12,292,553</u>	<u>10,830,803</u>	<u>17,878,387</u>	<u>14,288,843</u>	
<u>\$ (425,017)</u>	<u>\$ 6,379,244</u>	<u>\$ 12,292,553</u>	<u>\$ 10,830,803</u>	<u>\$ 17,878,387</u>	<u>\$ 14,288,843</u>	

CITY OF LAKE FOREST

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
General fund:				
Reserved	\$ -	\$ -	\$ -	\$ 2,182,459
Unreserved	-	-	-	73,122,377
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,304,836</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ 1,462,562
Unreserved, reported in:				
Special revenue funds	-	-	-	5,758,225
Capital projects funds	-	-	-	18,862,833
Debt service funds	-	-	-	3,562,986
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,646,606</u>

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

General fund:				
Nonspendable	\$ 267,395	\$ 198,110	\$ 166,614	\$ -
Unassigned	42,921,495	40,982,087	55,302,963	-
Total general fund	<u>\$ 43,188,890</u>	<u>\$ 41,180,197</u>	<u>\$ 55,469,577</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ 326,000	\$ 524,110	\$ 4,814	\$ -
Restricted	18,042,527	15,772,134	9,720,988	-
Assigned		18,506,771	24,498,506	-
Unassigned	(1,900,136)	40,967,573	(52,959)	-
Total all other governmental funds	<u>\$ 16,468,391</u>	<u>\$ 75,770,588</u>	<u>\$ 34,171,349</u>	<u>\$ -</u>

Note: GASB 54 was implemented in year ended June 30, 2011, prior year's have no comparable data.

Fiscal Year					
2009	2008	2007	2006	2005	2004
\$ 2,214,135	\$ 2,168,178	\$ 2,606,143	\$ 3,407,725	\$ 13,747,897	\$ 2,522,296
96,323,995	96,126,716	86,956,185	70,364,793	61,820,588	72,148,399
<u>\$ 98,538,130</u>	<u>\$ 98,294,894</u>	<u>\$ 89,562,328</u>	<u>\$ 73,772,518</u>	<u>\$ 75,568,485</u>	<u>\$ 74,670,695</u>
\$ 153,024	\$ 518,773	\$ 264,980	\$ 137,917	\$ 1,769,773	\$ 163,912
6,457,552	6,525,839	5,669,706	5,265,055	2,946,408	3,993,337
(719,171)	(50,336)	-	285,316	870,168	1,060,698
3,189,786	1,673,051	471,026	(116,880)	(1,138,143)	(1,138,143)
<u>\$ 9,081,191</u>	<u>\$ 8,667,327</u>	<u>\$ 6,405,712</u>	<u>\$ 5,571,408</u>	<u>\$ 4,448,206</u>	<u>\$ 4,079,804</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAKE FOREST

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2013	2012	2011	2010
Revenues:				
Taxes	\$ 32,531,330	\$ 35,295,352	\$ 34,652,894	\$ 33,602,398
Licenses and permits	683,862	672,455	513,965	513,001
Intergovernmental	6,310,356	5,541,814	5,746,688	6,554,126
Charges for services	1,684,363	1,495,078	1,341,009	1,437,291
Developer contributions	2,920,636	1,499,118	750,000	-
Fines and forfeitures	403,329	455,603	557,083	487,085
Investment income	93,036	276,011	327,868	1,226,620
Other	1,906,036	3,480,543	666,952	370,634
Total revenues	<u>46,532,948</u>	<u>48,715,974</u>	<u>44,556,459</u>	<u>44,191,155</u>
Expenditures:				
Current:				
General government	3,620,347	4,371,323	4,080,480	4,411,123
Public safety	13,033,454	12,706,470	12,847,909	12,953,360
Public works	8,901,096	9,102,263	8,585,160	8,760,691
Development services	2,276,925	3,066,889	2,564,139	2,762,563
Management services	3,414,653	2,648,656	1,489,604	1,606,047
Community services	2,857,399	3,193,906	3,054,343	3,084,891
Redevelopment/economic development	1,285,719	1,065,433	1,517,755	1,477,888
SERAF payment to State	-	-	249,002	1,209,535
Capital outlay	26,824,641	25,189,687	24,672,951	8,756,989
Debt service:				
Principal retirement	-	235,000	225,000	220,000
Interest and fiscal charges	432,021	571,068	322,138	339,500
Pass-through payments	-	1,510,394	1,532,740	1,602,447
Total expenditures	<u>62,646,255</u>	<u>63,661,089</u>	<u>61,141,221</u>	<u>47,185,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,113,307)</u>	<u>(14,945,115)</u>	<u>(16,584,762)</u>	<u>(2,993,879)</u>
Other financing sources (uses):				
Transfers in	4,587	901,704	24,389,199	23,531,247
Transfers out	(4,587)	(927,733)	(24,389,199)	(23,531,247)
Proceeds on exchange of land	-	-	-	-
Proceeds from long-term debt	-	10,965,000	-	-
Premium on debt issue	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,938,971</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (16,113,307)</u>	<u>\$ (4,006,144)</u>	<u>\$ (16,584,762)</u>	<u>\$ (2,993,879)</u>
Debt service as a percentage of non-capital expenditures	1.2%	1.7%	1.4%	1.3%

Fiscal Year						
2009	2008	2007	2006	2005	2004	
\$ 35,595,068	\$ 37,844,313	\$ 32,814,833	\$ 30,150,758	\$ 27,437,895	\$ 21,786,662	
483,310	505,260	643,158	616,067	754,057	690,862	
4,798,406	7,922,679	12,392,899	10,227,492	11,098,720	14,750,063	
863,867	1,441,696	1,209,977	1,713,575	1,568,477	1,322,332	
-	-	-	-	-	-	
556,560	565,983	505,457	476,953	535,357	529,540	
2,654,323	5,317,333	4,669,655	2,871,568	1,886,535	652,088	
221,942	553,073	319,464	210,956	1,766,610	473,437	
<u>45,173,476</u>	<u>54,150,337</u>	<u>52,555,443</u>	<u>46,267,369</u>	<u>45,047,651</u>	<u>40,204,984</u>	
4,588,334	3,927,372	3,331,061	3,315,329	2,871,880	2,657,972	
12,709,337	12,418,604	10,315,572	10,515,607	9,297,707	9,244,764	
8,628,070	8,456,483	7,156,432	6,662,359	6,676,955	6,007,637	
2,677,232	3,009,043	2,662,422	4,030,326	3,865,405	3,456,771	
1,746,164	1,415,093	1,347,789	2,646,902	2,592,550	2,211,439	
2,947,541	2,673,017	2,476,122	-	-	-	
1,455,462	1,159,575	1,276,767	-	-	-	
-	-	-	-	-	-	
7,698,639	8,442,215	5,503,543	18,012,248	16,697,787	7,249,400	
215,000	210,000	205,000	195,000	135,000	88,800	
364,548	389,260	407,236	390,787	380,364	357,213	
1,486,049	1,381,494	1,249,385	1,171,576	1,133,081	1,030,642	
<u>44,516,376</u>	<u>43,482,156</u>	<u>35,931,329</u>	<u>46,940,134</u>	<u>43,650,729</u>	<u>32,304,638</u>	
657,100	10,668,181	16,624,114	(672,765)	1,396,922	7,900,346	
1,630,931	1,442,832	1,980,525	701,053	620,499	108,370	
(1,630,931)	(1,442,832)	(1,980,525)	(701,053)	(751,229)	(108,370)	
-	326,000	-	-	-	-	
-	-	-	-	-	9,505,000	
-	-	-	-	-	55,332	
-	326,000	-	-	(130,730)	9,560,332	
<u>\$ 657,100</u>	<u>\$ 10,994,181</u>	<u>\$ 16,624,114</u>	<u>\$ (672,765)</u>	<u>\$ 1,266,192</u>	<u>\$ 17,460,678</u>	
1.5%	1.6%	1.9%	1.9%	1.9%	0.4%	

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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
2013	\$ 7,436,920	\$ 1,601,855	\$ 1,161,150	\$ 78,415	\$ 10,278,340	\$ 633,967	\$ 10,912,307	0.094%
2012	7,366,787	1,574,783	1,143,125	55,163	10,139,858	610,489	10,750,347	0.094%
2011	7,167,735	1,597,821	1,162,907	61,362	9,989,825	676,167	10,665,992	0.094%
2010	7,159,114	1,683,444	1,234,199	63,548	10,140,305	668,440	10,808,745	0.094%
2009	7,690,343	1,463,499	1,117,041	291,831	10,562,714	619,832	11,182,546	0.108%
2008	7,697,469	1,364,379	978,603	284,144	10,324,595	570,109	10,894,704	0.108%
2007	7,222,303	1,195,917	925,811	277,545	9,621,576	534,380	10,155,956	0.107%
2006	6,547,321	1,118,675	860,690	259,975	8,786,661	472,230	9,258,891	0.103%
2005	5,983,586	1,056,353	786,114	234,818	8,060,871	492,521	8,553,392	0.107%
2004	5,554,373	1,005,560	752,309	175,792	7,488,034	497,987	7,986,021	0.104%

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.

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

CITY OF LAKE FOREST

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

	Fiscal Year			
	2013	2012	2011	2010
Basic Levy:				
City of Lake Forest	0.04186	0.04186	0.04186	0.04186
City of Lake Forest Community Service Area Reorganization	0.07075	0.07075	0.07075	0.07075
City of Lake Forest Lighting Fund	0.01692	0.01692	0.01692	0.01692
City of Lake Forest AB1406	0.01167	0.01167	0.01167	0.01167
Total City Direct Rate	0.14119	0.14119	0.14120	0.1412
Overlapping Rates				
Saddleback Valley Unified General Fund	0.43637	0.43637	0.43637	0.43637
Educational Revenue Augmentation Fund	0.11103	0.11103	0.11103	0.11103
Orange County Fire Authority	0.10821	0.10821	0.10821	0.10821
South Orange County Community College District	0.08522	0.08522	0.08522	0.08522
Orange County General Fund	0.03103	0.03103	0.03102	0.03102
Orange County Flood Control General Fund	0.01904	0.01904	0.01904	0.01904
Los Alisos Water District General Fund	0.01719	0.01719	0.01719	0.01719
Orange County Library District General Fund	0.01605	0.01605	0.01605	0.01605
Orange County Department of Education	0.01571	0.01571	0.01571	0.01571
Orange County Harbors, Beaches and Parks	0.01472	0.01472	0.01472	0.01472
Orange County Transportation Authority	0.00270	0.00270	0.00270	0.00270
Orange County Vector Control District	0.00108	0.00108	0.00107	0.00107
Orange County Cemetery District	0.00048	0.00048	0.00047	0.00047
Total Basic Levy	1.00000	1.00000	1.00000	1.00000
Additional Levies (Voter-Approved Rates)				
Irvine Ranch Water District	0.00687	0.00687	0.01374	0.01374
Los Alisos Water District (land value only)	0.00000	0.00000	0.00000	-
Metropolitan Water District	0.00350	0.00370	0.00370	0.00430
Orange County Improvement Bonds	0.00000	0.00000	0.00000	-
Orange County Flood Control District	0.00000	0.00000	0.00000	-
Saddleback Valley Unified School District Bond	0.03265	0.03163	0.03194	0.03043
Tustin Union High School District	0.00000	0.00000	0.00000	-
San Joaquin School District	0.00000	0.00000	0.00000	-
Total Voter-Approved Levies	0.04302	0.04220	0.04938	0.04847
Total Tax Rate	1.04302	1.04220	1.04938	1.04847

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.

Fiscal Year					
2009	2008	2007	2006	2005	2004
0.04186	0.04186	0.04186	0.04186	0.0420	0.0420
0.07075	0.07075	0.07075	0.07075	0.0710	0.0710
0.01692	0.01692	0.01692	0.01692	0.0170	0.0170
0.01167	0.01167	0.01167	0.01167	0.0118	0.0118
0.1412	0.1412	0.1412	0.1412	0.1418	0.1418
0.43637	0.43637	0.43637	0.43637	0.4360	0.4360
0.11103	0.11103	0.11103	0.11103	0.1110	0.1110
0.10821	0.10821	0.10821	0.10821	0.1080	0.1080
0.08522	0.08522	0.08522	0.08522	0.0850	0.0850
0.03102	0.03102	0.03102	0.03102	0.0310	0.0310
0.01904	0.01904	0.01904	0.01904	0.0190	0.0190
0.01719	0.01719	0.01719	0.01719	0.0170	0.0170
0.01605	0.01605	0.01605	0.01605	0.0162	0.0162
0.01571	0.01571	0.01571	0.01571	0.0158	0.0158
0.01472	0.01472	0.01472	0.01472	0.0148	0.0148
0.00270	0.00270	0.00270	0.00270	0.0028	0.0028
0.00107	0.00107	0.00107	0.00107	0.0011	0.0011
0.00047	0.00047	0.00047	0.00047	0.0005	0.0005
1.00000	1.00000	1.00000	1.00000	1.0000	1.0000
0.14674	0.38974	0.01374	0.00002	0.00002	0.01501
-	-	-	-	-	0.01501
0.00430	0.00430	0.00470	0.00520	0.00580	0.00610
-	-	-	-	-	-
-	-	-	-	-	-
0.02834	0.02668	0.03694	0.03079	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.17938	0.42072	0.05538	0.03601	0.00582	0.03612
1.17938	1.42072	1.05538	1.03601	1.00582	1.03612

CITY OF LAKE FOREST
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2013		2004	
	Property Tax Revenue	Percent of Total Prop. Tax Revenue	Property Tax Revenue	Percent of Total Prop. Tax Revenue
Oakley Inc.	\$ 130,059	0.11%	\$ 86,736	0.11%
Panasonic Avionics Corporation	97,191	0.08%	-	0.00%
Walton CWCA	84,667	0.07%	-	0.00%
EQR Sombra	64,255	0.06%	55,755	0.07%
Shea Baker Ranch Associates LLC	61,098	0.05%	32,085	0.04%
Prologis California I LLC	60,087	0.05%	55,819	0.07%
WALF LLC	52,870	0.05%	25,180	0.03%
MEPT Pacific Vista Business CE	47,825	0.04%	-	0.00%
Metropolitan Life Insurance Co	45,756	0.04%	57,158	0.07%
Bixby Land Company	44,629	0.04%	-	0.00%
Buchheim Properties	42,959	0.04%	-	0.00%
Foothill Pacific Towne Centre	41,953	0.04%	20,025	0.02%
Acquiport Three Corporation	41,009	0.04%	25,367	0.03%
Avalon Arboretum LP	39,517	0.03%	29,819	0.04%
WLCO LF Partners	39,052	0.03%	61,987	0.08%
US Reif Lake Forest Village	35,434	0.03%	-	0.00%
FPOC LLC	33,724	0.03%	-	0.00%
L M Lake Forest II	33,389	0.03%	-	0.00%
Arden Realty LTD. Ptnshp	32,993	0.03%	-	0.00%
Bayport Serrano Assoc LP	29,054	0.03%	-	0.00%
AEW LT 50 Icon LLC	28,859	0.03%	-	0.00%
Casa Pacifica	28,238	0.02%	24,419	0.03%
Sequoia Equities Paloma	27,163	0.02%	-	0.00%
Ridgecrest Partners LP	24,663	0.02%	21,382	0.03%
Realty Assoc Fund VI	24,419	0.02%	32,966	0.04%
Calwest Industrial Properties	-	0.00%	43,052	0.05%
Riggs; Co TR of Multi-Employer	-	0.00%	35,180	0.04%
Provence Apartments LLC	-	0.00%	27,498	0.03%
Dared 83	-	0.00%	24,337	0.03%
First OCR Corp	-	0.00%	24,337	0.03%
CT Foothill 10/24 I LLC	-	0.00%	23,666	0.03%
Stonebridge Investors LTD	-	0.00%	23,465	0.03%
Matsushita Avionics Systems	-	0.00%	22,384	0.03%
Bedofrd Towne Centre Plaza LLC	-	0.00%	19,803	0.02%
Harbor Field Holdings LLC	-	0.00%	18,221	0.02%
Saddleback Ranch LLC	-	0.00%	17,745	0.02%
BPP Retail LLC	-	0.00%	17,596	0.02%
Top Twenty-Five Totals	<u>\$ 1,190,863</u>	<u>1.04%</u>	<u>\$ 825,982</u>	<u>1.00%</u>
City Totals	<u>\$ 114,412,271</u>		<u>\$ 82,419,205</u>	

Note: Total Property Tax Revenue includes all City property tax and Redevelopment Agency 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
2013	\$ 6,774,000	\$ 6,574,158	97.05%	\$ -	\$ 6,574,158	97.05%
2012	6,676,320	6,338,961	94.95%	-	6,338,961	94.95%
2011	6,666,925	6,353,021	95.29%	-	6,353,021	95.29%
2010	7,150,970	6,906,250	96.58%	160,597	7,066,847	98.82%
2009	7,423,259	7,084,651	95.44%	270,660	7,355,311	99.08%
2008	7,536,302	7,220,535	95.81%	281,539	7,502,074	99.55%
2007	6,972,404	6,671,669	95.69%	138,162	6,809,831	97.67%
2006	5,742,610	5,553,404	96.71%	80,273	5,633,677	98.10%
2005	5,324,170	5,181,672	97.32%	65,349	5,247,021	98.55%
2004	5,615,478	5,577,511	99.32%	37,967	5,615,478	100.00%

* 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.

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
2013	\$ 10,965,000	\$ 10,965,000	\$ 10,965,000	0.10%	*	\$ 140
2012	10,965,000	10,965,000	10,965,000	0.10%	6.78%	140
2011	8,100,000	8,100,000	8,100,000	0.08%	5.26%	104
2010	8,325,000	8,325,000	8,325,000	0.08%	5.66%	107
2009	8,545,000	8,545,000	8,545,000	0.08%	5.88%	109
2008	8,760,000	8,760,000	8,760,000	0.08%	5.62%	112
2007	8,970,000	8,970,000	8,970,000	0.09%	5.85%	115
2006	9,175,000	9,175,000	9,175,000	0.10%	6.09%	117
2005	9,370,000	9,370,000	9,370,000	0.11%	6.72%	120
2004	9,505,000	9,505,000	9,505,000	0.12%	7.29%	122

* Data is unavailable

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

CITY OF LAKE FOREST
DIRECT AND OVERLAPPING DEBT
June 30, 2013

<u>Direct and Overlapping Tax and Assessment Debt:</u>	Total Debt		City's Share of
	6/30/2013	% Applicable (1)	Debt
Metropolitan Water District	\$ 165,085,000	0.518%	\$ 855,140
Saddleback Valley Unified School District	121,645,000	36.043%	43,844,507
Irvine Ranch Water District I.D. No. 135	4,669,920	100%	4,669,920
Irvine Ranch Water District I.D. No. 182	5,569,400	100%	5,569,400
Irvine Ranch Water District I.D. No. 186	1,868,340	100%	1,868,340
Irvine Ranch Water District I.D. No. 188	1,978,700	100%	1,978,700
Irvine Ranch Water District I.D. No. 235	2,808,720	100%	2,808,720
Irvine Ranch Water District I.D. No. 282	4,942,500	100%	4,942,500
Irvine Ranch Water District I.D. No. 284	9,346,000	100%	9,346,000
Trabuco Canyon Community Facilities Water District No. 2	2,045,000	100%	2,045,000
Orange County Community Facilities 87-1	743,414	100%	743,414
Orange County Community Facilities 87-2	4,535,431	100%	4,535,431
Orange County Community Facilities 87-4	31,044,820	100%	31,044,820
Orange County Community Facilities 87-6	1,860,000	100%	1,860,000
Orange County Community Facilities 87-7	3,475,000	100%	3,475,000
Orange County Community Facilities 87-9	1,280,000	100%	1,280,000
TOTAL DIRECT & OVERLAPPING TAX & ASSESSMENT DEBT			120,866,893
<u>Overlapping General Fund Obligation Debt:</u>			
Orange County General Fund Obligations	\$ 190,546,000	2.544%	4,847,490
Orange County Pension Obligation	306,287,244	2.544%	7,791,947
Orange County Board of Education			
Certificates of Participation (COPS)	15,770,000	2.544%	401,189
Municipal Water District of Orange County Water Facilities Corporation	10,035,000	3.050%	306,068
City of Lake Forest Certificates of Participation	10,965,000	100%	10,965,000
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT			24,311,694
Less: MWDOC Water Facilities Corporation (100% self-supporting)			306,068
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 24,005,627
<u>Overlapping Tax Increment Debt (Successor Agencies)</u>			
Orange County Neighborhood Project Tax Allocation Bonds	\$ 16,625,000	29.365%	\$ 4,881,931
City of Lake Forest El Toro Road Improvements Certificates of Participatic	7,625,000	97.245%	7,414,931
TOTAL OVERLAPPING TAX INCREMENT DEBT			\$ 12,296,863
TOTAL DIRECT DEBT			\$ 10,965,000
TOTAL GROSS OVERLAPPING DEBT			\$ 146,510,449
TOTAL NET OVERLAPPING DEBT			146,204,382
GROSS COMBINED TOTAL DEBT			157,475,449 (2)
NET COMBINED TOTAL DEBT			157,169,382

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed proeprty value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed valuation within the boundaries of the City divided by the tota taxable assessed value.

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

CITY OF LAKE FOREST
 DIRECT AND OVERLAPPING DEBT
 June 30, 2013

<u>Ratios to 2012-13 Assessed Valuation:</u>		
2012-13 Assessed Valuation	\$10,885,721,192	
Total Overlapping Tax and Assessment Debt		1.11%
<u>Ratios to Assessed Valuation:</u>		
Gross Combined Direct Debt (\$10,965,000)		0.10%
Gross Combined Total Debt		1.45%
Net Combined Total Debt		1.44%
<u>Ratios to to Redevelopment Incremental Value (\$561,223,578)</u>		
Total Overlapping Tax Increment Debt		2.19%

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

<u>Fiscal Year</u>	<u>Total Assessed Value of all Real and Personal Property</u>	<u>Debt Limit Percentage</u>	<u>Debt Limit</u>	<u>Amount of Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>
2013	\$ 10,885,724,192	15%	\$ 1,632,858,629	\$ -	\$ 1,632,858,629
2012	10,721,083,140	15%	1,608,162,471	-	1,608,162,471
2011	10,744,518,458	15%	1,611,677,769	-	1,611,677,769
2010	10,915,562,030	15%	1,637,334,305	-	1,637,334,305
2009	11,189,196,810	15%	1,678,379,522	-	1,678,379,522
2008	10,896,487,851	15%	1,634,473,178	-	1,634,473,178
2007	10,155,956,671	15%	1,523,393,501	-	1,523,393,501
2006	9,258,891,763	15%	1,388,833,764	-	1,388,833,764
2005	8,553,392,946	15%	1,283,008,942	-	1,283,008,942
2004	7,986,021,059	15%	1,197,903,159	-	1,197,903,159

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)
2013	78,501	*	*	*
2012	78,036	\$ 161,743,827	\$ 52,342	4.8%
2011	77,481	154,131,535	50,440	5.3%
2010	78,720	147,138,449	48,760	6.6%
2009	78,344	145,247,447	48,624	6.2%
2008	78,317	155,925,156	52,720	3.6%
2007	78,243	153,446,641	52,342	2.6%
2006	77,859	150,598,354	51,359	2.3%
2005	78,020	139,408,948	47,417	2.6%
2004	77,740	130,321,396	44,301	2.9%

* 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
 PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Employer	2013		2004 ²	
	Number of Employees ¹	Percent of Total Employment	Number of Employees	Percent of Total Employment
Oakley Inc.	2,291	4.90%	-	0.00%
Panasonic Avionics	1,724	3.68%	-	0.00%
Loan Depot	869	1.86%	-	0.00%
Invensys Corporation	540	1.15%	-	0.00%
Spectrum Brands HHI	500	1.07%	-	0.00%
Apria Healthcare Group Inc.	477	1.02%	-	0.00%
Bal Seal Engineering	450	0.96%	-	0.00%
Skilled Healthcare	350	0.75%	-	0.00%
Home Depot USA Inc.	300	0.64%	-	0.00%
Alcon Research	300	0.64%	-	0.00%
Spectrum Care	300	0.64%	-	0.00%
Ossur Americas	290	0.62%	-	0.00%
Dynacast	285	0.61%	-	0.00%
Wal-Mart	277	0.59%	-	0.00%
Wet Seal	274	0.59%	-	0.00%
	<u>9,227</u>	<u>19.72%</u>	<u>-</u>	<u>0.00%</u>
Total Employment ³	46,800			

Source: ¹ Information Provided by Companies

² Data is not available

³ California Employment Development Department

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,										
Function	2013	2012	2011	2010	2009	2008	2007	2006 ¹	2005	2004
General government	28	28	28	28	31	28	26	43	59	57
Public works	13	13	13	12	14	14	14	14	14	14
Development services	15	15	15	16	17	17	14	14	17	15
Community services ²	50 ³	50 ³	53 ³	25	26	21	20	-	-	-
Police services	1	1	1	1	2	1	-	-	-	-
Total	107	107	110	82	90	81	74	71	90	86

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.

³ Hours for part-time positions were previously summed to equal a full-time position. Beginning in 2011, each part-time position is counted individually.

CITY OF LAKE FOREST
OPERATING INDICATORS
BY FUNCTION

Last Eight Fiscal Years

	Fiscal Year							
	2013	2012	2011	2010	2009	2008	2007	2006
Police: ¹								
Arrests	1,073	975	886	1,080	723	954	1,050	858
Number of calls responded to	23,563	24,114	25,006	24,505	25,452	26,371	27,531	27,000
Public works:								
Street resurfacing (miles)	7	9	25	25	8	20	12	21
Parks and recreation:								
Number of recreation classes ²	698	782	775	590	522	225	104	75
Number of facility rentals	331	241	226	1,487	63	11	4 ³	10

¹ Police services are contracted through the County of Orange.

² 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.

³ This increase is primarily related to park rentals which were recently approved and an increase in rentals at City Hall.

CITY OF LAKE FOREST
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Eight Fiscal Years

	Fiscal Year							
	2013	2012	2011	2010	2009	2008	2007	2006
Police:								
Stations	1	1	1	1	1	1	1	1
Public works:								
Streets (miles)	194	188	188	188	188	188	188	155
Traffic signals	97	95	95	95	94	93	92	86
Parks and recreation:								
Parks	27	27	27	27	27	27	21	21
Community centers	1	1	1	1	1	1	1	1