

CITY OF LAKE FOREST, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FISCAL YEAR ENDED JUNE 30, 2019

Prepared by:

Finance Department

Kevin R. Shirah
Director of Finance/City Treasurer

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019
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Mayor
Mark Tetterer

Mayor Pro Tem
Neeki Moatazedi

Council Members
Mike James
Dwight Robinson
Scott Voigts

December 20, 2019

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

City Manager
Debra DeBruhl Rose

The Comprehensive Annual Financial Report of the City of Lake Forest, for the fiscal year ended June 30, 2019, 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 designed 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 principles ("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, 2019, 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 unmodified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2019, 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the City did not meet the criteria for periodic evaluation and, therefore, was not required to have a single audit performed for fiscal year ended June 30, 2019.



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. 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. The City currently occupies 16.6 square miles and serves a population of 87,830. 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. In the November 2018 election, the City transitioned to district based elections, with three of the five districts electing a member of the Council. The remaining two districts will transition in the 2020 election. Prior to transition, all members of the Council were elected at large.

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 February 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 Department Directors, the City Manager formally presents this proposed budget to the City Council for review in May at a Budget Workshop. The City Council is required to hold public hearings on the proposed budget and 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 improved 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 in the City include internationally known brand manufacturers of scientific and medical instruments, sunglasses and sports-related goggles, in-flight entertainment and communication systems, 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 services (25.5%); retail trade (18.2%); finance, insurance, and real estate (9.3%). 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: 6.4%, agriculture and mining: 1.4% and communication: 1.0%.)

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 6.2% in 2009 to a peak at 6.6% in 2010 due to the ongoing effects of the recession. Unemployment has been steadily decreasing during the last five years as the economy recovers. The City's current unemployment rate is 2.3%.

As a result of revitalization efforts, the City's central location, and diversity of businesses, occupancy rates on commercial properties are currently positive. Occupancy rates for the City are 91.8% compared to 89.8% for the County of Orange.

During the past ten years, the City's operating expenditure increases in the General Fund were primarily due to park additions, new neighborhoods, expansion of services, and street maintenance requirements as the City has 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 38.4% 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 30 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 sales tax, property taxes, transient occupancy taxes, franchise fees, and motor vehicle in lieu fees (a majority of which are now backfilled from the State).

Long-Term Financial Planning

Unreserved fund balance in the General Fund (96.5% 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 is now focused on three clear long range goals:

1. A livable City that is well planned, attractive and safe
2. A city that is engaged, informed and technology current
3. A city government that is fiscally sustainable and well-run with committed staff

Specifically, over the next five years, the community will enjoy a new senior center and community center at a new Civic Center dubbed the Community's "100-Year Home," as well as, new and revitalized parks. Much of the funding for these projects will be reimbursed upon new development in future years. Infrastructure will continue to be prioritized, with added investment in keeping up the condition of our streets. Finally, the City paid off its last remaining bond debt on December 1, 2018.

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 will continue its fiscally-conservative approach to budgeting ongoing operations and capital improvement projects. The City is in solid financial condition and will invest in the quality of life during the upcoming fiscal year.

The City is now focused on completing the Lake Forest Civic Center dubbed the community's "100-Year Home." Construction of the campus buildings was completed in December 2019 and the City transitioned its operations and various community programs to the new facilities.

The upcoming year also will see sustained progress in the development of new master planned communities in Lake Forest. Construction will continue on the new homes in the northeastern area of the Portola Center project and five new neighborhoods in the southern area. This project ultimately will bring up to 930 new homes and various public amenities, including a new 5-acre community park and connections to regional trails.

The Teresina (approximately 85 new homes), and Serrano Summit (approximately 540 new homes) communities are moving forward. To keep the community apprised of these developments, staff will continue to update the "Lake Forest's New Neighborhoods" webpage (lakeforestca.gov/NewNeighborhoods) and Facebook page.

In 2019-21 the Capital Improvement Projects (CIP) Budget will continue with the fifteen traffic and street related projects. These projects are designed to improve safety, traffic flow, median and parkway landscaping, and maintain the roadway network. Other projects include school crosswalk safety enhancements, signal synchronization projects with neighboring cities, traffic modeling to support the General Plan update, street asphalt resurfacing, and sidewalk rehabilitation. Also included in the CIP are numerous playground repairs and enhancements, including the addition of shade structures to existing park playgrounds.

In the upcoming year, the City will continue efforts to attract new businesses and high-quality jobs by implementing the adopted 2018-2020 Economic Development Action Plan. The City will continue to aggressively market Lake Forest as a premiere destination for businesses through its website and social media campaigns and by engaging with the development community.

The Community Services Department will continue providing high quality recreational opportunities for residents of all ages. The City will implement programming for the new Community Center, Performing Arts Venue, and Senior Center. Staff also will advance design efforts associated with the renovation of ten neighborhood parks which represents the City's continued reinvestment into the quality of life for our residents. Lastly, construction of the City's newest park located in Portola Hills will provide the community an additional dog park, a sand volleyball court, and pickleball courts along with other more traditional park amenities to enjoy.

The City will continue building toward the future by advancing work on the comprehensive update to the General Plan. Serving as the foundational policy document for the City's long-term physical development, the General Plan Update will include proposed land use changes guided by the City Council's policy direction. These changes will help sustain the City's future economic growth, attract quality jobs, and blend housing opportunities with the new retail economy. Ultimately, the General Plan will shape the City's future while preserving the character of the community. Staff will present the updated General Plan for adoption this fiscal year.

The Public Communications division will continue using technology to engage with the community and increase engagement with residents. During the next fiscal year, the City will begin broadcasting meetings on cable television, launch a new platform to communicate with residents during emergencies, and create multi-channeled campaigns on key issues such as emergency preparedness, traffic, crime prevention, and key public projects. The City will also leverage new technologies provided by the Civic Center Campus to upgrade its information technology infrastructure which will help support the operations of all City departments.

The City will continue to prioritize public safety through the Neighborhood Watch program, updating the Emergency Plan, and promoting crime prevention through the "Don't Make it Easy" program. The City will continue developing the Community Emergency Response Team and host Basic Training classes that ensure residents have the tools and training necessary to handle emergency situations. The Orange County Sheriff's Department will continue its enforcement and community policing programs to maintain the City's low crime rate and high quality of life.

The Fiscal Year 2019-20 Budget is balanced and reflects appropriate measures to ensure prudent care of the City's finances while maintaining high quality service levels to the community. The budget also fully funds the City's cash reserves while delivering priority capital projects. For more information on department objectives and initiatives for the upcoming fiscal year, please see the department detail portion of the operating budget.

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, 2018. This was the twenty-fifth consecutive year that the City 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. 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 Lee Jueen Siow, Accounting Manager. Her 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 its unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully Submitted,



Debra Rose
City Manager



Kevin R. Shirah
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

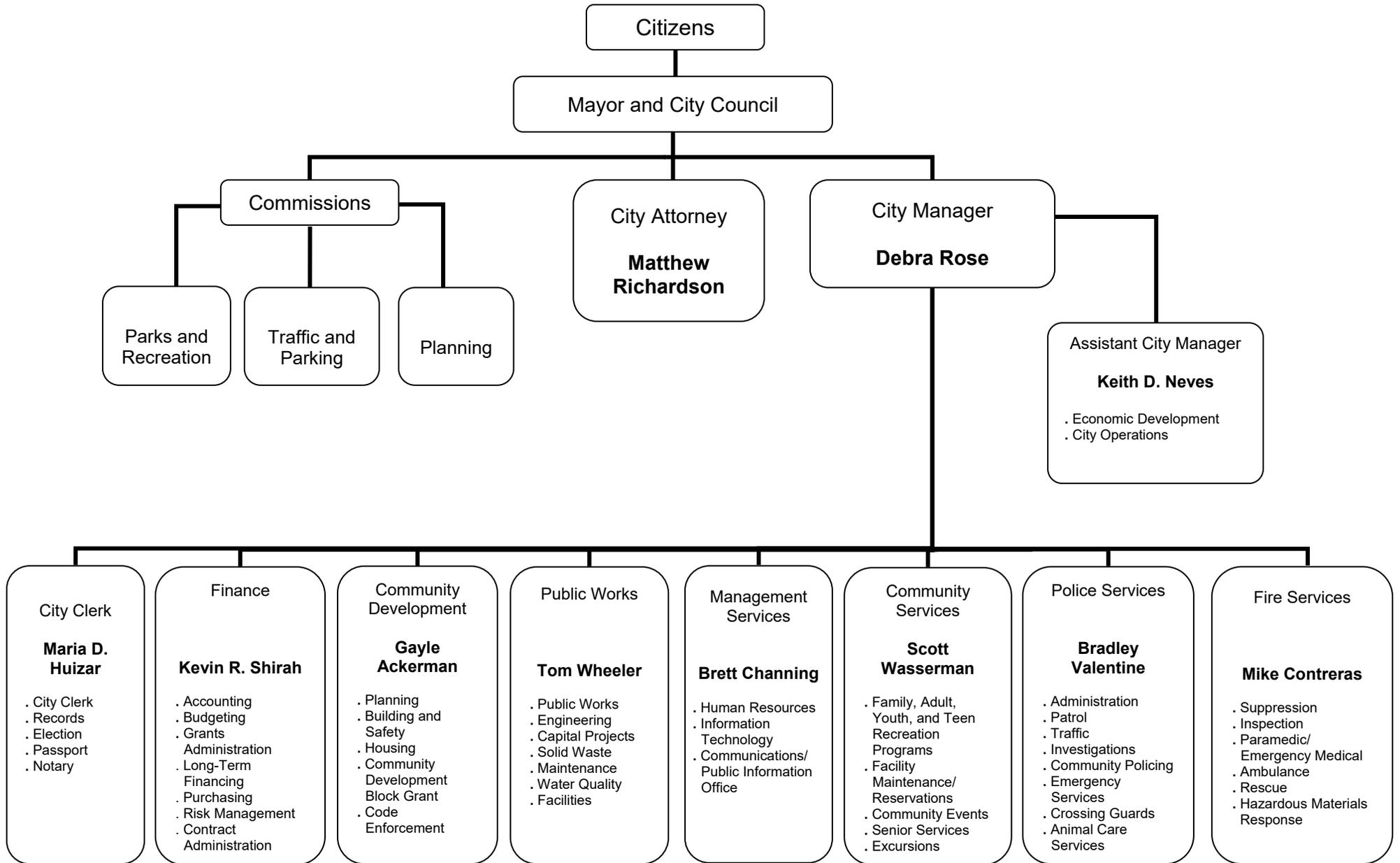
June 30, 2018

Christopher P. Morill

Executive Director/CEO

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ORGANIZATIONAL CHART



City of Lake Forest

City Officials

City Council

Mark Tetteimer, Mayor
Neeki Moatazedi, Mayor Pro Tem
Mike James, Council Member
Dwight Robinson, Council Member
Scott Voigts, Council Member

City Manager

Debra Rose

Gayle Ackerman, Director of Community Development
Brett Channing, Director of Management Services
Mike Contreras, Division Chief - Fire Services
Maria D. Huizar, City Clerk
Keith D. Neves, Assistant City Manager
Matthew Richardson, City Attorney
Kevin R. Shirah, Director of Finance/City Treasurer
Lieutenant Chad Taylor, Chief of Police Services
Scott Wasserman, Director of Community Services
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, 2019, 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Forest as of June 30, 2019, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions regarding the defined benefit pension plan, the schedule of changes in the net OPEB liability and related ratios, and the annual money-weighted rate of return on investments regarding the other post-employment benefits plan, and the General Fund budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules (supplementary information) and statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, 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 Dick Evans LLP

Irvine, California
December 19, 2019

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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, 2019. 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 \$459.1 million (net position). Of this amount, \$62.5 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 \$8.2 million. This increase is attributable to revenues being in excess of expenses.
- Total revenues from all sources were \$68.3 million as compared to the cost for all City programs of \$60.1 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 \$106.8 million. Nonspendable were \$0.3 million, restricted were \$46.0 million, assigned were \$29.1 million, and unassigned were \$31.4 million.
- Total governmental fund balances decreased by \$29.7 million. This decrease is attributable to an excess of expenditures as compared to revenues.
- Total governmental revenues from all sources were \$73.6 million as compared to expenditures of \$103.5 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual 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.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 twenty 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, Opportunities Study Area Capital Projects and Capital Improvement Projects Capital Project Funds, which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 \$459.1 million at the close of the most recent fiscal year. By far, the largest portion of the City's net position (76%) reflects its net investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment).

Table 1
Net Position
(in millions)

	Governmental Activities	
	2019	2018
Current and other assets	\$ 126.4	\$ 156.2
Capital assets	350.1	313.6
Total assets	<u>476.5</u>	<u>469.8</u>
Deferred outflows of resources:		
Deferred amount from pension plans	<u>1.6</u>	<u>4.4</u>
Current and other liabilities	17.6	13.1
Non-current liabilities	1.2	9.9
Total liabilities	<u>18.8</u>	<u>23.0</u>
Deferred inflows of resources:		
Deferred amount from pension plans	<u>0.2</u>	<u>0.3</u>
Net position:		
Net investment in capital assets	350.1	306.6
Restricted	46.5	85.1
Unrestricted	62.5	59.2
Total net position	<u>\$ 459.1</u>	<u>\$ 450.9</u>

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

An additional portion of the City's net position (10%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of \$62.5 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$8.2 million during the current fiscal year. Key elements of the increase are as follows:

Total revenues were \$68.3 million as compared to prior year revenues of \$76.6 million and material variances from prior year are described below.

- Capital grants and contributions decreased by \$13.5 million, primarily due to decrease in development impact fees collected in the Opportunity Study Area.
- Property taxes increased by \$1.4 million, primarily attributable to the new residential housing development in recent years.
- Sales taxes increased by \$1.0 million, primarily attributable to receipt of sales taxes from one-time activities. It is not expected these one-time activities continue into the new fiscal year.
- Investment income increased by \$2.0 million, primarily attributable to the higher rate of return of investments.

Total costs for all City programs were \$60.1 million as compared to prior year costs of \$59.6 million and material variances from prior year are described below.

- Public Safety costs increased by \$0.5 million, due to increase in costs to provide contracted police service protection and animal control services with the County of Orange.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

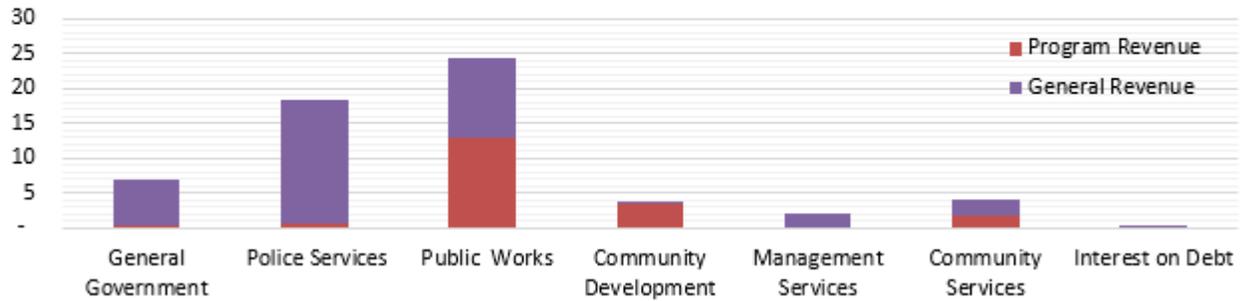
Table 2
Changes in Net Position
(in millions)

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 6.9	\$ 7.6
Operating grants and contributions	5.7	5.5
Capital grants and contributions	6.8	20.3
General revenues:		
Taxes:		
Property taxes	20.1	18.7
Transient occupancy taxes	3.7	3.8
Franchise taxes	2.6	2.4
Other taxes	0.1	0.1
Intergovernmental - sales tax	17.1	16.1
Investment income	3.6	1.6
Insurance proceeds	0.3	-
Other	1.4	0.5
Total revenues	<u>\$ 68.3</u>	<u>\$ 76.6</u>
Expenses:		
General government	\$ 7.1	\$ 7.1
Public safety	18.4	17.9
Public works	24.5	24.7
Development services	3.9	4.1
Management services	2.0	1.7
Community services	4.0	3.8
Interest on long-term liabilities	0.2	0.3
Total expenses	<u>\$ 60.1</u>	<u>\$ 59.6</u>
Change in net position	\$ 8.2	\$ 17.0
Net position at beginning of year	<u>\$ 450.9</u>	<u>\$ 433.9</u>
Net position at end of year	<u>\$ 459.1</u>	<u>\$ 450.9</u>

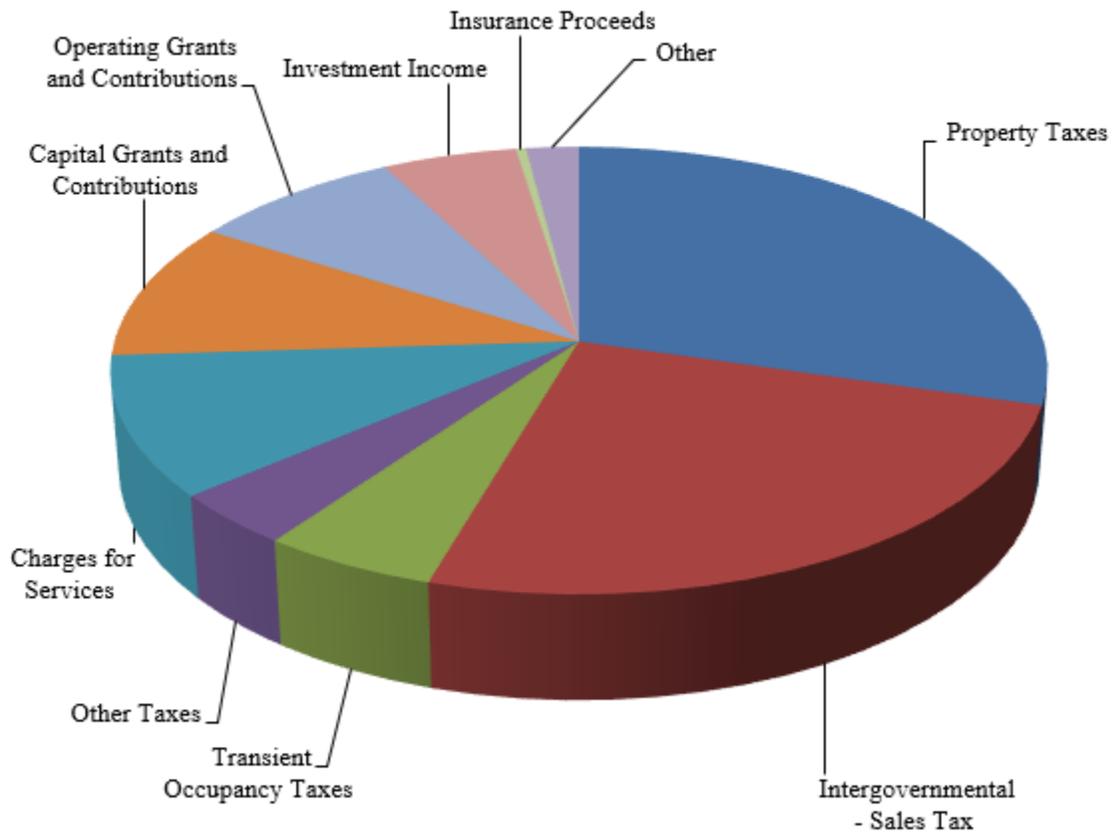
**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Funding of Governmental Activities

(in millions)



Revenues by Source - Governmental Activities



**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 \$106.8 million, a decrease of \$29.7 million in comparison with the prior year. Of this amount, \$0.3 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, \$46.0 million is for a variety of restricted purposes, \$29.1 million is assigned to be used for specific purposes through the City Council budgetary actions, and \$31.4 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 \$31.4 million, while total fund balance reached \$54.2 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 67% of total General Fund expenditures, while total fund balance represents 116% of that same amount.

Fund balance in the City's General Fund increased \$1.9 million during the current fiscal year. Key factors in this decrease are as follows:

- Revenues increased by \$4.2 million. Taxes increased by \$1.5 million, primarily attributable to the residential development. Licenses and Permits revenues decreased by \$1.0 million due to decrease building permit issuance in Opportunity Study Area. Sales taxes increased by \$1.0 million due to receipt of sales taxes from one-time activities. It is not expected these one-time activities continue into the new fiscal year. Investment income increased by \$1.7 million due to the higher rate of return of investments. The remaining portion is related to smaller fluctuations in other revenue accounts.
- Expenditures decreased by \$0.8 million. General Government costs decreased by \$2.1 million, primarily attributable to a one-time pension contribution of \$2.5 million in prior year. Public Safety costs increased by \$0.5 million due to increase contracted police service protection and animal control services. Public Works costs increased by \$0.4 million, mainly due to increase in engineering inspection costs in Opportunity Study Area. The remaining portion is related to smaller variances in various expenditure accounts in other departments.

The City has two other major funds, the Opportunities Study Area Capital Projects Fund and the Capital Improvement Projects Capital Projects Fund.

The Opportunities Study Area Capital Projects Fund is primarily composed of developer contributed funds to incur costs for public facilities related to future development. The major projects funded during the year were the construction of Civic Center, Community Center/Performing Arts, and Senior Center. This fund ended the year with a decrease in fund balance of \$32.5 million. Expenditures increased by \$22.0 million, mostly attributable to the construction for the Civic Center, Community Center/Performing Arts, and Senior Center.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Capital Improvement Projects Capital Projects Fund is primarily composed of accumulated funds for the purpose of capital projects and economic development projects. This fund ended the year with an increase in fund balance of \$2.4 million, mostly attributable to the expenditures incurred for projects.

Proprietary fund. The internal service vehicle replacement fund net position amounted to \$0.6 million at June 30, 2019. Of this amount, \$0.4 million is reported as unrestricted and \$0.2 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 \$1.9 million. The most notable mid-year revenue adjustments were made to increase in Taxes (\$0.2 million), increase in Charges for Services (\$0.6 million), and increase in Other Revenue (\$1.1 million).

Actual revenues were higher than budgeted amounts by \$3.9 million. Tax revenues were more than budget by \$0.8 million, due to overall increase in the residential development. Sales tax revenues were more than budget by \$1.6 million, receipt of sales taxes from one-time activities. It is not expected these one-time activities continue into the new fiscal year. Investment income were more than budgeted by \$1.9 million, due to the higher rate of return of investments.

Expenditures

The difference between original and final amended budgeted expenditures was \$2.0 million. The most notable adjustments were \$0.5 million increase to General Government and \$0.8 million increase to Public Works. The remaining adjustments related to smaller variances in various expenditure accounts in other departments.

Total expenditures were under budgeted amounts by \$2.8 million primarily attributable to General Government, Public Works, and Community Development expenditure savings of anticipated costs within the departments during the year. The remaining portion related to smaller variances in various expenditure accounts in other departments.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$350.1 million net of accumulated depreciation.

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

- Construction in progress costs increased by \$44.3 million, due to the construction for the Civic Center.
- Costs in the streets and park improvements categories decreased by \$3.0 million and \$1.0 million, respectively, related to depreciation expenses.

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

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$120.9	\$120.9
Machinery and equipment	1.0	1.3
Buildings and improvements	10.1	10.5
Construction in progress	74.3	30.0
Improvements other than buildings	26.8	28.0
Infrastructure:		
Streets	58.6	61.6
Curbs, gutters and sidewalks	22.9	23.5
Storm drain system	11.2	11.6
Traffic signal system	3.3	3.6
Medians	9.5	10.1
Park improvements	11.5	12.5
	<u>\$350.1</u>	<u>\$313.6</u>

Additional information on the City's capital assets can be found in Note 4 in the Financial Section of this report.

**CITY OF LAKE FOREST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$1.2 million, a decrease of \$8.7 million from the prior fiscal year. Total long-term debt outstanding represents the compensated absences and net OPEB liability. The City paid off the 2011 Lease Financing Certificates of Participation for the City's share of the Alton Parkway Improvement Project.

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

	2019	2018
Net pension liability	\$ -	\$ 2.0
Net OPEB liability	0.4	0.2
2011 Certificates of Participation	-	7.0
Compensated absences	0.8	0.7
	<u>\$ 1.2</u>	<u>\$ 9.9</u>

Additional information on the City's long-term liabilities, net OPEB liabilities, and net pension liabilities can be found in Notes 6, 7, and 13, respectively, in the Financial Section of this report.

Economic Factors and Next Year's Budgets and Rates

The June 30, 2019, unemployment rate for the City was 2.7% as compared to the rate of 2.6% one year ago. The City's rate compares favorably to the State's unemployment rate of 4.2% and the national average rate of 3.7%.

The City's Fiscal Year 2019-20 Operating Budget takes into account the historical trends of property, hotel, and sales taxes. Additionally, the health of the general economy was factored into the projections. The Operating Budget will be fully reviewed at mid-year to assess any changes to revenue as the local economy has improved over the last couple years.

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 2019-20 and all reserves are fully funded.

All of these factors were considered in preparing the City's Budget for Fiscal Year 2019-20.

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, 100 Civic Center Drive, Lake Forest, California 92630.

CITY OF LAKE FOREST
STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
ASSETS:	
Cash and investments	\$ 114,732,387
Receivables:	
Taxes	974,342
Accounts	1,050,203
Interest	454,532
Grants	125,520
Loans	2,101,532
Notes	100,000
Due from other governments	4,403,372
Prepaid items	264,614
Restricted cash with fiscal agent	1,303,586
Capital assets:	
Not being depreciated	195,179,490
Being depreciated, net	154,955,561
Net pension asset	883,666
	476,528,805
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount from pension plans	1,459,608
Deferred amount from OPEB	176,357
	1,635,965
LIABILITIES:	
Accounts payable	15,060,259
Accrued salaries and benefits	309,234
Retentions payable	1,656,737
Unearned revenue	113,110
Deposits payable	502,294
Noncurrent liabilities:	
Due within one year	454,000
Due in more than one year	348,798
Net OPEB liability - due in more than one year	425,446
	18,869,878
DEFERRED INFLOWS OF RESOURCES:	
Deferred amount from pension plans	192,342
Deferred amount from OPEB	12,961
	205,303
NET POSITION:	
Net investment in capital assets	350,135,051
Restricted	
Low- and moderate-income housing	6,378,081
Community development	1,881,007
Public safety	195,289
Public works	31,180,734
Community services	5,561,743
Pension benefits	1,303,586
Unrestricted	62,454,098
	\$ 459,089,589

See accompanying notes to basic financial statements.

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CITY OF LAKE FOREST
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 7,093,463	\$ 38,118	\$ 254,194	\$ -	\$ (6,801,151)
Public safety	18,425,493	482,786	201,094	-	(17,741,613)
Public works	24,444,530	2,483,073	4,647,426	5,838,626	(11,475,405)
Community development	3,911,748	3,026,777	506,948	-	(378,023)
Management services	1,984,013	49,433	-	-	(1,934,580)
Community services	4,020,637	850,639	75,174	942,678	(2,152,146)
Interest on long-term liabilities	180,651	-	-	-	(180,651)
Total governmental activities	<u>\$ 60,060,535</u>	<u>\$ 6,930,826</u>	<u>\$ 5,684,836</u>	<u>\$ 6,781,304</u>	<u>(40,663,569)</u>

General revenues:

Taxes:

Property tax, levied for general purpose	20,162,559
Transient occupancy tax	3,670,842
Franchise tax	2,595,278
Other taxes	68,350
Intergovernmental - sales tax	17,104,605
Investment income	3,606,918
Insurance proceeds	270,786
Other	1,408,770
Total general revenues	<u>48,888,108</u>
Change in net position	8,224,539
Net position at beginning of year	<u>450,865,050</u>
Net position at end of year	<u>\$ 459,089,589</u>

CITY OF LAKE FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	General	Capital Projects Fund Opportunities Study Area
ASSETS		
Cash and investments	\$ 52,995,080	\$ 25,759,021
Cash and investments with fiscal agents	1,303,586	-
Receivables:		
Taxes	974,342	-
Accounts	785,539	259,276
Interest	454,526	-
Grants	-	-
Loans	-	-
Notes	-	-
Due from other governments	3,293,433	106,480
Due from other funds	7,559	-
Prepaid items	264,614	-
	<u>\$ 60,078,679</u>	<u>\$ 26,124,777</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 4,912,560	\$ 8,978,785
Accrued salaries and benefits	309,234	-
Retentions payable	-	1,435,116
Due to other funds	-	-
Deposits payable	502,294	-
Unearned revenues	113,110	-
TOTAL LIABILITIES	<u>5,837,198</u>	<u>10,413,901</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenues	69,566	265,696
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>69,566</u>	<u>265,696</u>
FUND BALANCES:		
Nonspendable	264,614	-
Restricted	1,303,586	15,445,180
Assigned	21,165,375	-
Unassigned	31,438,340	-
TOTAL FUND BALANCES	<u>54,171,915</u>	<u>15,445,180</u>
	<u>\$ 60,078,679</u>	<u>\$ 26,124,777</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 60,078,679</u>	<u>\$ 26,124,777</u>

See accompanying notes to basic financial statements.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,270,596	\$ 27,211,134	\$ 114,235,831
-	-	1,303,586
-	-	974,342
-	5,388	1,050,203
-	6	454,532
-	125,520	125,520
-	2,101,532	2,101,532
-	100,000	100,000
300	1,003,159	4,403,372
-	-	7,559
-	-	264,614
<u>\$ 8,270,896</u>	<u>\$ 30,546,739</u>	<u>\$ 125,021,091</u>

\$ 294,017	\$ 836,481	\$ 15,021,843
-	-	309,234
4,900	216,721	1,656,737
-	7,559	7,559
-	-	502,294
-	-	113,110
<u>298,917</u>	<u>1,060,761</u>	<u>17,610,777</u>

-	289,155	624,417
-	289,155	624,417

-	-	264,614
-	29,196,823	45,945,589
7,971,979	-	29,137,354
-	-	31,438,340
<u>7,971,979</u>	<u>29,196,823</u>	<u>106,785,897</u>

<u>\$ 8,270,896</u>	<u>\$ 30,546,739</u>	<u>\$ 125,021,091</u>
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CITY OF LAKE FOREST

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

June 30, 2019

Fund balances - total governmental funds \$ 106,785,897

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. This does not include internal service fund capital assets of \$661,589 and accumulated depreciation of \$493,332.

Capital assets	\$ 493,004,698	
Accumulated depreciation	<u>(143,038,174)</u>	349,966,524

Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources, unavailable revenues, in the fund financial statements.		624,417
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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		(802,798)

Pension-related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.		
Deferred outflows of resources related to pension	1,459,608	
Deferred inflows of resources related to pension	(192,342)	
Net pension asset	<u>883,666</u>	2,150,932

OPEB-related debt applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflow of resources related to OPEB are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.		
Deferred outflows of resources related to OPEB	176,357	
Deferred inflows of resources related to OPEB	(12,961)	
Net OPEB liability	<u>(425,446)</u>	(262,050)

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.		<u>626,667</u>
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Net position of governmental activities		<u><u>\$ 459,089,589</u></u>
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See accompanying 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, 2019

	General	Capital Projects Fund Opportunities Study Area
REVENUES:		
Taxes	\$ 26,497,028	\$ -
Licenses and permits	1,911,831	-
Intergovernmental	256,067	-
Intergovernmental - sales tax	17,104,605	-
Charges for services	4,545,958	-
Developer contributions	-	1,353,421
Fines and forfeitures	482,786	-
Investment income	2,844,532	-
Other	1,153,042	6,569,486
TOTAL REVENUES	<u>54,795,849</u>	<u>7,922,907</u>
EXPENDITURES:		
Current:		
General government	6,793,244	-
Public safety	18,244,144	-
Public works	12,014,992	-
Community development	3,658,438	-
Management services	1,958,692	-
Community services	3,927,617	-
Capital outlay	-	43,101,300
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
TOTAL EXPENDITURES	<u>46,597,127</u>	<u>43,101,300</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,198,722</u>	<u>(35,178,393)</u>
OTHER FINANCING SOURCES (USES):		
Insurance proceeds	170,726	100,060
Transfers in	-	2,658,911
Transfers out	(6,528,781)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,358,055)</u>	<u>2,758,971</u>
NET CHANGE IN FUND BALANCES	1,840,667	(32,419,422)
FUND BALANCES - BEGINNING OF YEAR	<u>52,331,248</u>	<u>47,864,602</u>
FUND BALANCES - END OF YEAR	<u>\$ 54,171,915</u>	<u>\$ 15,445,180</u>

See accompanying notes to basic financial statements.

Capital Projects Fund		
Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 26,497,028
-	-	1,911,831
152,776	5,857,413	6,266,256
-	-	17,104,605
-	12,380	4,558,338
-	3,892,308	5,245,729
-	-	482,786
165,072	478,415	3,488,019
163,012	158,845	8,044,385
<u>480,860</u>	<u>10,399,361</u>	<u>73,598,977</u>
-	254,194	7,047,438
-	129,300	18,373,444
-	1,849,206	13,864,198
-	253,310	3,911,748
-	-	1,958,692
-	88,403	4,016,020
646,086	3,421,083	47,168,469
-	6,990,000	6,990,000
-	203,602	203,602
<u>646,086</u>	<u>13,189,098</u>	<u>103,533,611</u>
<u>(165,226)</u>	<u>(2,789,737)</u>	<u>(29,934,634)</u>
-	-	270,786
2,527,925	7,439,808	12,626,644
-	(6,097,863)	(12,626,644)
<u>2,527,925</u>	<u>1,341,945</u>	<u>270,786</u>
2,362,699	(1,447,792)	(29,663,848)
5,609,280	30,644,615	136,449,745
<u>\$ 7,971,979</u>	<u>\$ 29,196,823</u>	<u>\$ 106,785,897</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, 2019

Net change in fund balances - total governmental funds		\$ (29,663,848)
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. This activity is reconciled as follows:		
Depreciation (does not include internal service fund depreciation expense of \$59,486)	\$ (8,280,505)	
Capital outlay, net of disposals	<u>44,769,790</u>	36,489,285
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.		(5,596,403)
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.		(81,359)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position. This is the principal repayments during the year.		6,990,000
Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.		22,951
Pension expense reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		120,222
OPEB expense reported in the governmental funds includes the insurance premiums paid. In the statement of activities, OPEB expense includes the change in the net OPEB liability.		(68,023)
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.		<u>11,714</u>
Change in net position of governmental activities		<u>\$ 8,224,539</u>

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST
STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2019

	Governmental Activities <hr/> Internal Service Fund <hr/>
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 496,556
TOTAL CURRENT ASSETS	<hr/> 496,556 <hr/>
NONCURRENT ASSETS:	
Capital assets:	
Being depreciated	661,859
Less: accumulated depreciation	<hr/> (493,332)
TOTAL NONCURRENT ASSETS	<hr/> 168,527 <hr/>
TOTAL ASSETS	<hr/> 665,083 <hr/>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<hr/> 38,416
TOTAL LIABILITIES	<hr/> 38,416 <hr/>
NET POSITION:	
Investment in capital assets	168,527
Unrestricted	<hr/> 458,140
TOTAL NET POSITION	<hr/> \$ 626,667 <hr/>

See accompanying 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, 2019

	Governmental Activities
	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Vehicle replacement charges	\$ 71,200
OPERATING EXPENSES:	
Depreciation expense	<u>59,486</u>
OPERATING INCOME	11,714
NET POSITION AT BEGINNING OF YEAR	<u>614,953</u>
NET POSITION AT END OF YEAR	<u><u>\$ 626,667</u></u>

CITY OF LAKE FOREST
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2019

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from user departments	\$ 71,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(101,567)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(30,367)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>526,923</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 496,556</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 11,714
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	<u>59,486</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 71,200</u></u>

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund	Agency Funds
ASSETS:			
Cash and investments	\$ 586,969	\$ -	\$ 400,552
Cash and investments held by trust	-	533,036	-
TOTAL ASSETS	<u>586,969</u>	<u>533,036</u>	<u>\$ 400,552</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Interest payable	20,848	-	\$ -
Deposits payable	-	-	400,552
TOTAL CURRENT LIABILITIES	<u>20,848</u>	<u>-</u>	<u>\$ 400,552</u>
LONG-TERM LIABILITIES:			
Due within one year	300,000	-	
Due in more than one year	5,725,000	-	
TOTAL LONG-TERM LIABILITIES	<u>6,025,000</u>	<u>-</u>	
TOTAL LIABILITIES	<u>6,045,848</u>	<u>-</u>	
NET POSITION:			
Restricted for private purpose	(5,458,879)	-	
Held in trust for OPEB benefits	-	533,036	
TOTAL NET POSITION	<u>\$ (5,458,879)</u>	<u>\$ 533,036</u>	

See accompanying notes to basic financial statements.

CITY OF LAKE FOREST

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2019

	Successor Agency to Lake Forest Redevelopment Agency Private-Purpose Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund
	<u> </u>	<u> </u>
ADDITIONS:		
Taxes	\$ 549,539	\$ -
Investment income	7,942	34,119
	<u>557,481</u>	<u>34,119</u>
TOTAL ADDITIONS		
DEDUCTIONS:		
Interest and fiscal charges	254,573	-
Benefits	-	19,518
Administrative expense	5,000	1,293
	<u>259,573</u>	<u>20,811</u>
TOTAL DEDUCTIONS		
CHANGE IN NET POSITION	297,908	13,308
NET POSITION - BEGINNING OF YEAR	<u>(5,756,787)</u>	<u>519,728</u>
NET POSITION - END OF YEAR	<u>\$ (5,458,879)</u>	<u>\$ 533,036</u>

See accompanying notes to basic financial statements.

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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 (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 composed 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 and the Housing and Financing Authorities.

The City 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 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 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 Financing Authority, under the provision of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The Board of Directors of the Financing 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 the Housing Authority can be obtained from the City of Lake Forest Finance Department located at City Hall, 25550 Commercentre Drive, Suite 100, Lake Forest, CA 92630. The Financing Authority does not issue separate financial statements.

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements

Government-wide financial statements 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 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 the pension 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
3. Capital grants and contributions

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

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

Certain eliminations have been made in regard 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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 the 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.

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*. *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, 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 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 when 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, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance 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 the fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables between governmental funds are reported on their balance sheets in spite of their spending measurement focus.

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 noncurrent liabilities. Since they do not affect fund balance, 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 noncurrent) 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 *nonoperating* 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 nonoperating 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). The City uses the internal service fund to account for vehicle replacement activities.

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 and other post-employment benefit (OPEB) trust fund are 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Funds (Continued)

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 and the State of California Building Standards Commission's green building standards program.

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.

Opportunities Study Area Capital Projects Fund

The Opportunities Study Area Capital Projects 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 impact fees to construct these facilities.

Capital Improvement Projects Capital Projects Fund

The Capital Improvement Projects Capital Projects Fund is used to accumulate financial resources for the purpose of providing funds for capital projects and economic development projects.

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

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

The Financing Authority Debt Service Fund is used to account for debt service activity for the 2011 Lease Financing Certificates of Participation.

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.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Fund Classifications (Continued)

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

Current Year Standards

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the City.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the City.

Pending Accounting Standards

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

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Investments

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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 utilizing the consumption method.

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 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January, proceeding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period from 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. 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 the government-wide financial statements and in the internal service fund of the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 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 acquisition value at the date of donation or annexation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation 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 - 30 years
Improvements other than buildings	10 - 50 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. 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 and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred outflows from pensions and OPEB resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred outflows related to pensions for the changes in the employer's proportion and differences between employer contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and governmental funds balance sheet 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 and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources, which are reimbursements, investment income, notes receivable and grants receivable collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to pensions and OPEB for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to pensions for the changes in the employer's proportion and differences between employer contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to pensions and OPEB resulting from the differences between projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

k. 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 lives of the bonds using the straight-line method. Long-term debt is reported net of the applicable premiums or discount. Amortization of bond premiums or discounts is included in interest expense. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

l. Compensated Absences

An employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances. The employee's entitlement to these balances is 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.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

2. CASH AND INVESTMENTS (CONTINUED)

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

Cash in hand	\$ 2,190
Deposits with financial institutions	2,364,863
Investments	<u>115,189,477</u>
 Total cash and investments	 <u>\$ 117,556,530</u>

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 pension and other post-employment benefit (OPEB) trusts that are governed by the trust agreements, rather than the general provisions of the California Government Code or the City's Investment Policy.

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
US Treasury Obligations	Yes	5 years	None	None
US Agency Securities	Yes	5 years	None	70%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	25%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Nonnegotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	92 days	10%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	10%	\$1,000,000
Money Market Mutual Funds	Yes	None	10%	None
Mortgage Pass-Through securities	No	5 years	20%	None
County Pooled Investment Funds	Yes	None	None	None
California Asset Management Program	Yes	None	30%	None
State Investment Pool (LAIF)	Yes	None	\$50 million	None
JPA Pools (other investment pools)	Yes	None	30%	None

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

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

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:

Investment Type	Total	Weighted- Average Maturity (in Years)
US Government Sponsored		
Agency Securities:		
Federal Farm Credit Bank (FFCB)	\$ 4,292,684	0.38
Federal Home Loan Bank (FHLB)	5,020,150	2.22
Federal Home Loan Mortgage Corporation (FHLMC)	14,315,630	2.48
Federal National Mortgage Association (FNMA)	2,978,960	1.54
Federal Agricultural Mortgage Corporation (FAMC)	2,084,271	1.08
State Investment Pool	49,726,570	N/A
Orange County Investment Pool	54,262	N/A
California Asset Management Program	34,871,677	N/A
Money Market Mutual Funds	8,651	N/A
Pension Trust - PARS Pooled Trust	1,303,586	N/A
OPEB Trust - PARS Pooled Trust	533,036	N/A
	\$ 115,189,477	

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.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

2. CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk (Continued)

Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy or debt agreements and Standard & Poor's or Moody's actual rating as of year-end for each investment type:

Investment Type	Total as of June 30, 2019	Minimum Legal Rating	AAA (Aaa)	AA+ (Aaa)	Not Rated
US Government Sponsored					
Agency Securities:					
FFCB	\$ 4,292,684	N/A	\$ -	\$ 4,292,684	\$ -
FHLB	5,020,150	N/A	-	5,020,150	-
FHLMC	14,315,630	N/A	-	14,315,630	-
FNMA	2,978,960	N/A	-	2,978,960	-
FAMC	2,084,271	N/A	-	2,084,271	-
State Investment Pool	49,726,570	N/A	-	-	49,726,570
Orange County Investment Pool	54,262	N/A	-	-	54,262
California Asset Management Program	34,871,677	N/A	34,871,677	-	-
Money Market Mutual Funds	8,651	A	8,651	-	-
PARS Pooled Trusts:					
Pension Trust	1,303,586	N/A	-	-	1,303,586
OPEB Trust	533,036	N/A	-	-	533,036
Total	\$ 115,189,477		\$ 34,880,328	\$ 28,691,695	\$ 51,617,454

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 41. At June 30, 2019, the investments in any one issuer that represent 5% or more of the City's total investments is FHLMC.

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).

2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits. At June 30, 2019, the City deposits (bank balances) were insured by the Federal Deposit 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 pro rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF.

California Asset Management Program

The City invests in this investment trust, California Asset Management Program (CAMP), which is similar to a money market mutual fund. The fund invests primarily in certificates of deposit, commercial paper and US 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 Advisers 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 LLC'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. 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.

Orange County Investment Pool

The City is a voluntary participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated and is not registered with the SEC. The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2019, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

2. CASH AND INVESTMENTS (CONTINUED)

Pension and Other Post-Employment Benefit (OPEB) Trust

The City established a trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City's defined benefit pension plan and other post-employment benefit (OPEB) health plan. The pension trust and OPEB trust funds' specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City.

The City-approved guidelines are as follows:

Risk Tolerance:	Moderate High
Risk Management:	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.
Investment Objective:	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges:	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the relative inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

2. CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The City had the following recurring fair value measurements as of June 30, 2019:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government				
Sponsored Agency Securities:				
FFCB	\$ -	\$ 4,292,684	\$ -	\$ 4,292,684
FHLB	-	5,020,150	-	5,020,150
FHLMC	-	14,315,630	-	14,315,630
FNMA	-	2,978,960	-	2,978,960
FAMC	-	2,084,271	-	2,084,271
	<u>-</u>	<u>28,691,695</u>	<u>-</u>	<u>28,691,695</u>
Total Leveled Investments	<u>\$ -</u>	<u>\$ 28,691,695</u>	<u>\$ -</u>	<u>28,691,695</u>
State Investment Pool (LAIF)*				49,726,570
Orange County Investment Pool (OCIP)*				54,262
California Asset Management Program (CAMP)*				34,871,677
Money Market Mutual Funds*				8,651
Pension Trust*				1,303,586
OPEB Trust*				<u>533,036</u>
Total Investment Portfolio				<u>\$ 115,189,477</u>

* Not subject to fair value hierarchy.

3. NOTE RECEIVABLE

In the fiscal year ended June 30, 2016, the City sold property to a nonprofit corporation that resulted in a note receivable of \$100,000 due to the Authority. The note is secured by a deed of trust in the name of the Authority and bears interest equal the LAIF rate. Principal payments are made in 50 equal annual installments of \$2,000, together with any unpaid interest that has accrued at the time of each payment. Each annual payment shall be due and payable commencing on the fifth anniversary of the project completion date and on that same date each year until the balance of the principal and accrued interest is paid in full. However, if the borrower is in full compliance with the regulatory agreement during the 12 months preceding a payment, the interest accrued during that 12-month period shall be forgiven by the City. The balance of this note as of June 30, 2019, is \$100,000.

Housing loans receivable of \$244,068 and \$1,857,464 in the Housing Authority Special Revenue Fund and Community Development Block Grant Special Revenue Fund consists of various low-interest home loans made to low-income families.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, is as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 120,901,809	\$ -	\$ -	\$ 120,901,809
Construction in progress	30,034,123	44,537,637	(294,079)	74,277,681
Total capital assets, not being depreciated	<u>150,935,932</u>	<u>44,537,637</u>	<u>(294,079)</u>	<u>195,179,490</u>
Capital assets, being depreciated:				
Buildings and improvements	12,478,186	-	-	12,478,186
Improvements other than buildings	32,531,663	-	-	32,531,663
Machinery and equipment	5,721,138	185,671	-	5,906,809
Infrastructure	247,089,865	480,544	-	247,570,409
Total capital assets, being depreciated	<u>297,820,852</u>	<u>666,215</u>	<u>-</u>	<u>298,487,067</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,006,663)	(406,180)	-	(2,412,843)
Improvements other than buildings	(4,538,674)	(1,158,107)	-	(5,696,781)
Machinery and equipment	(4,392,787)	(489,355)	-	(4,882,142)
Infrastructure	(124,253,391)	(6,286,349)	-	(130,539,740)
Total accumulated depreciation	<u>(135,191,515)</u>	<u>(8,339,991)</u>	<u>-</u>	<u>(143,531,506)</u>
Total capital assets, being depreciated, net	<u>162,629,337</u>	<u>(7,673,776)</u>	<u>-</u>	<u>154,955,561</u>
Capital assets, net	<u>\$ 313,565,269</u>	<u>\$ 36,863,861</u>	<u>\$ (294,079)</u>	<u>\$ 350,135,051</u>

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

4. CAPITAL ASSETS (CONTINUED)

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

General government	\$ 16,865
Public safety	52,049
Public works, including depreciation of infrastructure assets	8,181,653
Management services	25,321
Community services	4,617
Depreciation on capital assets held by the City's internal service fund is charged to the various functions based on their usage of the assets	<u>59,486</u>
Total depreciation expense - governmental activities	<u>\$ 8,339,991</u>

Construction Commitments

Significant construction contracts as of June 30, 2019, consisted of the following:

	<u>Commitment</u>
Neighborhood Park Renovations	\$ 148,800
Veterans Park	307,513
Citywide Roadway Improvements	4,830,565
Civic Center	21,175,618

The City's encumbered appropriations lapse at year-end and therefore do not represent commitments.

5. INTERFUND ACTIVITIES

Due From/Due To Other Funds

Other Governmental Funds - Community Development Block Grant Special Revenue Fund borrowed \$7,559 from the General Fund to fund operations.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

5. INTERFUND ACTIVITIES (CONTINUED)

Interfund Transfers

Interfund transfers during the year ended June 30, 2019, consisted of the following:

Governmental Activities	Purpose	Transfers In	Transfers Out	Net Transfers
Opportunities Study Area				
Capital Projects Fund	Program support	\$ 2,658,911	\$ -	\$ 2,658,911
Capital Improvement Project Fund	Program support	2,527,925	-	2,527,925
Other Governmental Funds:				
General Fund	Program support	-	(6,528,781)	(6,528,781)
City Facilities Replacement Capital Projects Fund	Program support	246,206	-	246,206
City Facilities Maintenance Special Revenue Fund	Program support	-	(246,206)	(246,206)
Financing Authority Debt Service Fund	Program support	7,193,602	-	7,193,602
City Facilities Capital Projects Fund	Program support	-	(1,708,057)	(1,708,057)
FCPP Capital Projects Fund	Program support	-	(4,143,600)	(4,143,600)
		<u>\$ 12,626,644</u>	<u>\$ (12,626,644)</u>	<u>\$ -</u>

6. LONG-TERM LIABILITIES

The change in the City's long-term liabilities during the year ended June 30, 2019, consisted of the following:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year	Due in More Than One Year
2011 Certificates of Participation	\$ 6,990,000	\$ -	\$ (6,990,000)	\$ -	\$ -	\$ -
Compensated absences	721,439	535,403	(454,044)	802,798	454,000	348,798
Total long-term liabilities	<u>\$ 7,711,439</u>	<u>\$ 535,403</u>	<u>\$ (7,444,044)</u>	<u>\$ 802,798</u>	<u>\$ 454,000</u>	<u>\$ 348,798</u>

2011 Certificates of Participation

On August 1, 2011, the 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 ranges from 1.97% to 3.94%. The bonds were paid off on December 1, 2018.

Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1.I. This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2019, the outstanding balance was \$802,798.

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

a. General Information about the OPEB Plan

Plan Description

In connection with the retirement benefits for employees described in Note 13, the City contributes to an agent multiple-employer defined benefit plan to provide post-employment health-care benefits through the California Public Employees Medical and Hospital Care Act (PEMHCA). These benefits are available to employees who retire with the City with at least five 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 \$115 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.

The City has established a trust with Public Agency Retirement Services (PARS) to provide additional funding for the OPEB Plan. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request.

Employees Covered

As of measurement date June 30, 2018, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	12
Active employees	60
Total plan participants	<u>72</u>

Contributions

Benefit provisions and 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 plan does not require employee contributions. Administrative costs of this plan are financed through investment earnings. The contributions to the OPEB Plan are generally made from the general fund. The OPEB liability for governmental activities is primarily liquidated from the general fund. For measurement period June 30, 2018, the City did not make any contributions.

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 when the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the OPEB 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.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

b. Total OPEB Liability

Actuarial Assumptions

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value projected to fiscal year-end 2018
Actuarial Assumptions:	
Discount Rate	4.20%
Long-Term Expected	
Rate of Return on Investments	4.20%
Inflation	2.75%
Payroll	2.75%
Health-Care Trend Rates	4% per year
Mortality	2014 CalPERS Retiree Mortality for Misc Employees

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
PARS OPEB Trust:		
All US domestic stock	60.00%	7.795%
Long-term corporate bonds	40.00%	5.295%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

c. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (Measurement Date)	\$ 702,665	\$ 508,638	\$ 194,027
Changes in the Year:			
Service cost	41,280	-	41,280
Interest on the total OPEB liability	29,933	-	29,933
Changes in assumptions	192,537	-	192,537
Net investment income	-	33,636	(33,636)
Benefit payments	(21,242)	(21,242)	-
Administrative expenses	-	(1,305)	1,305
Net Changes	242,508	11,089	231,419
Balance at June 30, 2018 (Measurement Date)	\$ 945,173	\$ 519,727	\$ 425,446

Change of Assumptions

In fiscal year 2018-2019, the financial reporting discount rate changed from 5.70% to 4.20%. Deferred outflows of resources for changes in assumptions represent the unamortized portion of this assumption change.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.20%) or one-percentage point higher (5.20%) than the current discount rate:

	1% Decrease (3.20%)	Discount Rate (4.20%)	1% Increase (5.20%)
Net OPEB Liability	\$ 600,408	\$ 425,446	\$ 299,931

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

c. Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in Health-Care Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using medical trend rates that are one-percentage point lower (3.00%) or one-percentage point higher (5.00%) than the current health-care trend rate:

	<u>3.00%</u>	<u>4.00%</u>	<u>5.00%</u>
Net OPEB Liability	\$ 291,777	\$ 425,446	\$ 611,314

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$65,005. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (2,763)
Changes in assumptions	176,357	-
Differences between projected and actual earnings	-	(10,198)
Total	<u>\$ 176,357</u>	<u>\$ (12,961)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 13,377
2021	13,377
2022	13,377
2023	13,375
2024	15,926
Thereafter	93,964

e. Payable to the OPEB Plan

At June 30, 2019, the City had no outstanding amount of contributions to the OPEB Plan required for the year ended June 30, 2019.

8. RISK MANAGEMENT

Description of Self-insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance and to arrange for group purchased insurance for property and other lines of coverage. The 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 nine-member Executive Committee.

Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history relative to other members of the risk-sharing pool.

Primary Liability Program

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

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sublimit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverages is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Workers' Compensation Program

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

8. RISK MANAGEMENT (CONTINUED)

Workers' Compensation Program (Continued)

For 2018-19, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's liability losses from \$5 million to \$10 million are pooled among members.

Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the Authority. The Policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the three-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sublimit during the three-year policy term.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$31,626,268. There is a \$10,000 deductible per occurrence except for nonemergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$11,843,601. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$25,000 deductible. The fidelity coverage is provided through the Authority.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2018-19.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

9. CLASSIFICATION OF NET POSITION AND GOVERNMENTAL FUND BALANCES

Net Position Classifications

The City's net position at June 30, 2019, 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	\$ 195,179,490
Depreciable capital assets, net	<u>154,955,561</u>
Net investment in capital assets	<u>350,135,051</u>
Restricted net position:	
Low and moderate-income housing	6,378,081
Community development	1,881,007
Public safety	195,289
Public works	31,180,734
Community services	5,561,743
Pension benefits	<u>1,303,586</u>
Total restricted net position	<u>46,500,440</u>
Unrestricted net position	<u>62,454,098</u>
Total net position	<u><u>\$ 459,089,589</u></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.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

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

Governmental Fund Balance Classifications

The City's governmental fund balances at June 30, 2019, are tabulated below, followed by explanations as to the nature and purpose of each classification.

	General Fund	Opportunities Study Area Capital Projects Fund	Capital Improvement Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 264,614	\$ -	\$ -	\$ -	\$ 264,614
Restricted for:					
Street maintenance	-	-	-	4,163,622	4,163,622
Air quality	-	-	-	597,028	597,028
Grant programs	-	-	-	1,981,720	1,981,720
Housing programs	-	-	-	6,278,081	6,278,081
Capital projects	-	15,445,180	-	16,176,372	31,621,552
Pension benefits	1,303,586	-	-	-	1,303,586
Assigned for:					
Emergency services	3,000,000	-	-	-	3,000,000
Economic contingency	6,693,300	-	-	-	6,693,300
Infrastructure	4,772,075	-	-	-	4,772,075
Neighborhood Park Improvement	6,700,000	-	-	-	6,700,000
Capital projects	-	-	7,971,979	-	7,971,979
Unassigned	31,438,340	-	-	-	31,438,340
	<u>\$ 54,171,915</u>	<u>\$ 15,445,180</u>	<u>\$ 7,971,979</u>	<u>\$ 29,196,823</u>	<u>\$ 106,785,897</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 action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.

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 the City Council. The City Council has not delegated the authority to assign amounts.

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

Governmental Fund Balance Classifications (Continued)

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, which consists of monthly lease payments of \$59,419. The City Hall lease expires December 31, 2019. The equipment lease expires in May 2024 and its monthly lease payment is \$285. Facility and equipment lease expense for the year ended June 30, 2019 was \$740,375.

The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2020	\$ 359,940
2021	3,425
2022	3,425
	\$ 366,790

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 (the County) to create the Orange County Fire Authority (Fire Authority). Since the creation of the Fire Authority, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita and Westminster joined the Fire Authority as members eligible for fire protection services. The purpose of the Fire 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 Fire Authority’s governing board consists of one representative from each city and two from the County. The operations of the Fire 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.

11. JOINT VENTURE (CONTINUED)

The County pays all structural fire fees it collects to the Fire 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 Fire Authority’s annual budget. No determination has been made as to each participant’s proportionate share of fund equity as of June 30, 2019. Upon dissolution of the Fire Authority, all surplus money and property of the Fire Authority will be conveyed or distributed to each member in proportion to all funds provided to the Fire 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, CA 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.

13. PENSION PLAN

Defined Benefit Plan

a. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Employee Pension Plan (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by the CalPERS. Benefit provisions under the Plan are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS’s website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

13. PENSION PLAN (CONTINUED)

Defined Benefit Plan (Continued)

a. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Plan provisions and benefits in effect at the June 30, 2018, measurement date are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates		
Normal cost rate	8.921%	6.533%
Payment of unfunded liability	\$ 2,439,262	\$ 24,809

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

The pension liability for governmental activities is primarily liquidated from the general fund.

b. Pension Liabilities (Assets), Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported a net pension asset of \$883,666 for its proportionate share of the net pension liability of all Plans.

The City's net pension asset for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

13. PENSION PLAN (CONTINUED)

Defined Benefit Plan (Continued)

b. Pension Liabilities (Assets), Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's proportionate share of the net pension liability for the Plan as of the measurement dates ended June 30, 2017 and 2018, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.05083%
Proportion - June 30, 2018	-0.02345%
Change - Increase (Decrease)	-0.07428%

For the year ended June 30, 2019, the City recognized pension expense of \$440,833. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 561,053	\$ -
Differences between actual and expected experience	11,538	(33,905)
Change in assumptions	24,689	(100,741)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	862,328	(53,327)
Net differences between projected and actual earnings on plan investments	-	(4,369)
Total	<u>\$ 1,459,608</u>	<u>\$ (192,342)</u>

An amount of \$561,053 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	<u>Amount</u>
2020	\$ 181,047
2021	244,483
2022	272,735
2023	7,948
2024	-
Thereafter	-

13. PENSION PLAN (CONTINUED)

Defined Benefit Plan (Continued)

- b. Pension Liabilities (Assets), Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018, measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal cost method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and long term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

13. PENSION PLAN (CONTINUED)

Defined Benefit Plan (Continued)

b. Pension Liabilities (Assets), Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short term investments; inflation assets are included in both global equity securities and global debt securities.
- (b) An expected inflation of 2.0% was used for this period.
- (c) An expected inflation of 2.92% was used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

13. PENSION PLAN (CONTINUED)

Defined Benefit Plan (Continued)

- b. Pension Liabilities (Assets), Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 3,129,736
Current Discount Rate	7.15%
Net Pension Asset	\$ (883,666)
1% Increase	8.15%
Net Pension Liability Asset	\$ (4,196,664)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS's financial reports.

- c. Payable to the Pension Plan

At June 30, 2019, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

Defined Contribution Plan

Omnibus Budget Reconciliation Act of 1990 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.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

13. PENSION PLAN (CONTINUED)

Defined Contribution Plan (Continued)

For the year ended June 30, 2019, the City’s payroll covered by the plan was \$716,615. Contributions to the plan totaled \$53,746, with employee contributions in the amount of \$44,431 (6.2% of current covered payroll) and City contributions in the amount of \$9,315 (1.3% of current covered payroll).

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.

15. SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the former redevelopment agency were transferred to the Successor Agency to the Redevelopment Agency on February 1, 2012, as a result of the dissolution of the former redevelopment agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Balance at</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
Other Debt						
2004 Certificates of Participation	\$ 6,315,000	\$ -	\$ (290,000)	\$ 6,025,000	\$ 300,000	\$ 5,725,000

2004 Certificates of Participation

On March 1, 2004, the 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 and is in place for the full amount as of June 30, 2019. The outstanding balance at June 30, 2019, was \$6,025,000.

CITY OF LAKE FOREST, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

15. SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

Long-Term Liabilities (Continued)

2004 Certificates of Participation (Continued)

The Certificates of Participation 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 of Participation when due.

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 300,000	\$ 244,538	\$ 544,538
2021	310,000	232,868	542,868
2022	325,000	220,323	545,323
2023	335,000	207,123	542,123
2024	350,000	193,248	543,248
2025 - 2029	1,980,000	730,718	2,710,718
2030 - 2034	2,425,000	266,156	2,691,156
	<u>\$ 6,025,000</u>	<u>\$ 2,094,974</u>	<u>\$ 8,119,974</u>

16. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated other events and transactions for potential recognition or disclosure through December 19, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAKE FOREST

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability (asset)	-0.00917%	0.02021%	0.01521%	0.05317%	0.05683%
Plan's proportionate share of the net pension liability (asset)	\$ (883,666)	\$ 2,003,930	\$ 1,315,948	\$ 3,649,775	\$ 3,536,521
Covered payroll	\$ 5,957,084	\$ 6,123,728	\$ 5,714,410	\$ 5,368,494	\$ 5,321,851
Plan's proportionate share of the net pension liability (asset) as a percentage of covered payroll	-14.83%	32.72%	23.03%	67.99%	66.45%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability (asset)	75.26%	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 1,163,795	\$ 958,574	\$ 845,984	\$ 658,027	\$ 467,868

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF LAKE FOREST

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 561,053	\$ 509,038	\$ 522,439	\$ 607,438	\$ 600,646
Contributions in relation to the actuarially determined contributions	<u>(561,053)</u>	<u>(2,965,383)</u>	<u>(522,439)</u>	<u>(4,328,303)</u>	<u>(600,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (2,456,345)</u>	<u>\$ -</u>	<u>\$ (3,720,865)</u>	<u>\$ -</u>
Covered payroll	\$ 6,393,650	\$ 5,957,084	\$ 6,123,728	\$ 5,714,410	\$ 5,368,494
Contributions as a percentage of covered payroll	8.78%	49.78%	8.53%	75.74%	11.19%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1) 15 Year Smoothed Market Method
Actuarial cost method	Market Value				
Amortization method					
Asset valuation method					
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 50 years (2%@55) and 52 years (2%@62)
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF LAKE FOREST

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year end	<u>6/30/2019</u>	<u>6/30/2018</u>
Measurement date	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability:		
Service cost	\$ 41,280	\$ 40,175
Interest on total OPEB liability	29,933	37,110
Changes in assumptions	192,537	-
Benefit payments, including refunds of	<u>(21,242)</u>	<u>(12,270)</u>
Net Change in Total OPEB Liability	242,508	65,015
Total OPEB Liability - Beginning of Year	<u>702,665</u>	<u>637,650</u>
Total OPEB Liability - End of Year (a)	<u>945,173</u>	<u>702,665</u>
Plan Fiduciary Net Position:		
Contributions - employer	-	49,125
Net investment income	32,331	(1,222)
Benefit payments	<u>(21,242)</u>	<u>(12,270)</u>
Net Change in Plan Fiduciary Net Position	11,089	35,633
Plan Fiduciary Net Position - Beginning of Year	<u>508,638</u>	<u>473,005</u>
Plan Fiduciary Net Position - End of Year (b)	<u>519,727</u>	<u>508,638</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 425,446</u>	<u>\$ 194,027</u>
Plan fiduciary net position as a percentage of the net OPEB liability	54.99%	72.39%
Covered - employee payroll	\$ 5,957,084	\$ 6,123,728
Net OPEB liability as percentage of covered - employee payroll	7.14%	3.17%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

The discount rate was changed from 5.7% to 4.2%.

* Fiscal year 2018 was the first year of implementation and therefore only two years are shown.

CITY OF LAKE FOREST
 Other Post-Employment Benefits Plan
 Annual Money-Weighted Rate of Return on Investments
 Last Ten Fiscal Years*

Retiree Health Plan

Fiscal Year Ended	Annual Money-Weighted Rate of Return, Net of Investment Expense*
6/30/19	6.68%
6/30/18	6.74%
6/30/17	10.51%

* Ten years of historical information is required by the GASB Statement No. 74. Fiscal year ended June 30, 2017, was the first year of implementation and therefore only three years are presented.

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 25,447,000	\$ 25,657,900	\$ 26,497,028	\$ 839,128
Licenses and permits	2,378,000	2,378,000	1,911,831	(466,169)
Intergovernmental	267,900	267,900	256,067	(11,833)
Intergovernmental - sales tax	15,500,000	15,500,000	17,104,605	1,604,605
Charges for services	3,702,900	4,277,900	4,545,958	268,058
Fines and forfeitures	437,000	437,000	482,786	45,786
Investment income	907,200	907,200	2,844,532	1,937,332
Other	320,000	1,457,500	1,153,042	(304,458)
TOTAL REVENUES	<u>48,960,000</u>	<u>50,883,400</u>	<u>54,795,849</u>	<u>3,912,449</u>
EXPENDITURES:				
Current:				
General government:				
City council	66,300	67,200	55,490	11,710
City manager	1,335,600	1,365,100	1,276,195	88,905
City attorney	1,318,000	1,578,000	1,506,503	71,497
City clerk	787,500	839,600	748,654	90,946
Finance	3,226,900	3,353,300	3,206,402	146,898
Public safety:				
Police services	18,220,000	18,271,800	18,244,144	27,656
Public works	11,953,400	12,770,700	12,014,992	755,708
Community development	4,080,300	4,425,700	3,658,438	767,262
Management services	2,225,600	2,464,000	1,958,692	505,308
Community services	4,177,100	4,260,900	3,927,617	333,283
TOTAL EXPENDITURES	<u>47,390,700</u>	<u>49,396,300</u>	<u>46,597,127</u>	<u>2,799,173</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,569,300	1,487,100	8,198,722	6,711,622
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	-	170,726	170,726
Transfers out	(3,050,100)	(6,528,879)	(6,528,781)	98
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,050,100)</u>	<u>(6,528,879)</u>	<u>(6,358,055)</u>	<u>170,824</u>
NET CHANGE IN FUND BALANCE	(1,480,800)	(5,041,779)	1,840,667	6,882,446
FUND BALANCE - BEGINNING OF YEAR	<u>52,331,248</u>	<u>52,331,248</u>	<u>52,331,248</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 50,850,448</u>	<u>\$ 47,289,469</u>	<u>\$ 54,171,915</u>	<u>\$ 6,882,446</u>

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, except for CASP Program Special Revenue Fund.

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.

SUPPLEMENTARY INFORMATION

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CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

OPPORTUNITIES STUDY AREA CAPITAL PROJECTS FUND - MAJOR FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 1,500,000	\$ 1,353,421	\$ (146,579)
Other	7,733,300	6,569,486	(1,163,814)
TOTAL REVENUES	<u>9,233,300</u>	<u>7,922,907</u>	<u>(1,310,393)</u>
EXPENDITURES:			
Capital outlay	<u>68,754,463</u>	<u>43,101,300</u>	<u>25,653,163</u>
EXCESS OF REVENUES OVER EXPENDITURES	(59,521,163)	(35,178,393)	24,342,770
OTHER FINANCING SOURCES:			
Insurance proceeds	-	100,060	100,060
Transfers in	<u>2,658,954</u>	<u>2,658,911</u>	<u>(43)</u>
OTHER FINANCING SOURCES	<u>2,658,954</u>	<u>2,758,971</u>	<u>100,017</u>
NET CHANGE IN FUND BALANCE	(56,862,209)	(32,419,422)	24,442,787
FUND BALANCE - BEGINNING OF YEAR	<u>47,864,602</u>	<u>47,864,602</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (8,997,607)</u></u>	<u><u>\$ 15,445,180</u></u>	<u><u>\$ 24,442,787</u></u>

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

CAPITAL IMPROVEMENT PROJECTS CAPITAL PROJECTS FUND - MAJOR FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 149,250	\$ 152,776	\$ 3,526
Investment income	89,300	165,072	75,772
Other	442,250	163,012	(279,238)
TOTAL REVENUES	680,800	480,860	(199,940)
EXPENDITURES:			
Capital outlay	5,535,694	646,086	4,889,608
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,854,894)	(165,226)	4,689,668
OTHER FINANCING SOURCES:			
Transfers in	2,527,925	2,527,925	-
NET CHANGE IN FUND BALANCE	(2,326,969)	2,362,699	4,689,668
FUND BALANCE - BEGINNING OF YEAR	5,609,280	5,609,280	-
FUND BALANCE - END OF YEAR	\$ 3,282,311	\$ 7,971,979	\$ 4,689,668

SPECIAL REVENUE FUNDS

City Facilities Maintenance Fund - This fund is used to account for developer impact fees to maintain City facilities.

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 revenue and expenditures of the State funded Supplemental Law Enforcement Program.

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

AB 939 Fund - This fund is used to account for revenue and expenditures from the City's franchise hauler for the purpose of general recycling activities under AB 939.

Beverage Recycling Fund - This fund is used to account for revenue and expenditures related to grant funding received from the California State Department of Conservation for the purpose of implementing and supporting beverage recycling programs within the City.

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

Gas Tax Special Revenue Fund - This fund is used to account for revenue 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.

CASP Program Special Revenue Fund - This fund is used to account for certified access specialist program (CASP) under AB 1379.

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DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

City Facilities Fund - This fund is used to account for developer impact fees to construct improvements City-wide.

Lake Forest Transportation Mitigation Fund - This fund is used to account for developer impact fees 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 developer impact fees for affordable housing purposes and related capital projects.

City Facilities Replacement Fund - This fund is used to accumulate financial resources for the purpose of maintaining and replacing city facilities and assets.

Foothill Circulation Phasing Plan (FCPP) Fund - This fund is used to accumulate financial resources for the purpose of providing funds for acquisitioned construction of roads, bridges and intersection improvement as outlined by the Foothill Circulation Phasing Plan adopted by the County of Orange.

CITY OF LAKE FOREST
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2019

		Special Revenue Funds			
		City Facilities Maintenance	Measure M	Air Quality Improvement	Supplemental Law Enforcement Grant
	ASSETS				
Cash and investments		\$ -	\$ 52,015	\$ 619,339	\$ 123,145
Receivables:					
Accounts		-	990	-	-
Interest		-	-	-	-
Grants		-	-	-	72,144
Loans		-	-	-	-
Notes		-	-	-	-
Due from other governments		-	696,946	28,530	-
	TOTAL ASSETS	\$ -	\$ 749,951	\$ 647,869	\$ 195,289
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable		\$ -	\$ 180,215	\$ 50,841	\$ -
Retentions payable		-	56,218	-	-
Due to other funds		-	-	-	-
	TOTAL LIABILITIES	-	236,433	50,841	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues		-	189,155	-	-
	TOTAL DEFERRED INFLOWS OF RESOURCES	-	189,155	-	-
FUND BALANCES:					
Restricted		-	324,363	597,028	195,289
	TOTAL FUND BALANCES	-	324,363	597,028	195,289
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
		\$ -	\$ 749,951	\$ 647,869	\$ 195,289

Special Revenue Funds (Continued)

Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant	Gas Tax	CASP Program
\$ 461,152	\$ 4,926	\$ 82,973	\$ -	\$ 3,728,443	\$ 7,276
630	-	-	-	3,768	-
-	-	-	6	-	-
-	-	-	53,376	-	-
244,068	-	-	1,857,464	-	-
100,000	-	-	-	-	-
-	-	-	-	277,683	-
<u>\$ 805,850</u>	<u>\$ 4,926</u>	<u>\$ 82,973</u>	<u>\$ 1,910,846</u>	<u>\$ 4,009,894</u>	<u>\$ 7,276</u>
\$ 12,692	\$ 2,305	\$ 35,976	\$ 29,396	\$ 310,198	\$ 160
-	-	-	-	4,631	-
-	-	-	7,559	-	-
<u>12,692</u>	<u>2,305</u>	<u>35,976</u>	<u>36,955</u>	<u>314,829</u>	<u>160</u>
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>693,158</u>	<u>2,621</u>	<u>46,997</u>	<u>1,873,891</u>	<u>3,695,065</u>	<u>7,116</u>
<u>693,158</u>	<u>2,621</u>	<u>46,997</u>	<u>1,873,891</u>	<u>3,695,065</u>	<u>7,116</u>
<u>\$ 805,850</u>	<u>\$ 4,926</u>	<u>\$ 82,973</u>	<u>\$ 1,910,846</u>	<u>\$ 4,009,894</u>	<u>\$ 7,276</u>

(Continued)

CITY OF LAKE FOREST
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 (CONTINUED)

June 30, 2019

	Debt Service Fund	Capital Projects Funds		
		Lake Forest		
	Financing Authority	City Facilities	Transportation Mitigation	Park Development
ASSETS				
Cash and investments	\$ -	\$ -	\$ 7,664,092	\$ 5,858,222
Receivables:				
Accounts	-	-	-	-
Interest	-	-	-	-
Grants	-	-	-	-
Loans	-	-	-	-
Notes	-	-	-	-
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 7,664,092	\$ 5,858,222
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 29,130	\$ 185,568
Retentions payable	-	-	-	155,872
Due to other funds	-	-	-	-
TOTAL LIABILITIES	-	-	29,130	341,440
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES:				
Restricted	-	-	7,634,962	5,516,782
TOTAL FUND BALANCES	-	-	7,634,962	5,516,782
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ -	\$ 7,664,092	\$ 5,858,222

Capital Projects Funds (Continued)

Affordable Housing	City Facilities Replacement	FCPP	Total Other Governmental Funds
\$ 5,584,923	\$ 2,704,106	\$ 320,522	\$ 27,211,134
-	-	-	5,388
-	-	-	6
-	-	-	125,520
-	-	-	2,101,532
-	-	-	100,000
-	-	-	1,003,159
<u>\$ 5,584,923</u>	<u>\$ 2,704,106</u>	<u>\$ 320,522</u>	<u>\$ 30,546,739</u>
\$ -	\$ -	\$ -	\$ 836,481
-	-	-	216,721
-	-	-	7,559
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,761</u>
-	-	-	289,155
-	-	-	289,155
5,584,923	2,704,106	320,522	29,196,823
<u>5,584,923</u>	<u>2,704,106</u>	<u>320,522</u>	<u>29,196,823</u>
<u>\$ 5,584,923</u>	<u>\$ 2,704,106</u>	<u>\$ 320,522</u>	<u>\$ 30,546,739</u>

CITY OF LAKE FOREST

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

For the year ended June 30, 2019

	Special Revenue Funds			
	City Facilities		Air	Supplemental
	Maintenance	Measure M	Quality Improvement	Law Enforcement Grant
REVENUES:				
Intergovernmental	\$ -	\$ 1,715,590	\$ 110,049	\$ 201,094
Charges for services	-	8,024	-	-
Developer contributions	183,160	-	-	-
Investment income	-	6,603	12,691	-
Other	-	-	-	-
TOTAL REVENUES	<u>183,160</u>	<u>1,730,217</u>	<u>122,740</u>	<u>201,094</u>
EXPENDITURES:				
Current:				
General Government	-	254,194	-	-
Public safety	-	-	-	129,300
Public works	-	-	38,742	-
Community development				
Community services	-	88,403	-	-
Capital outlay	-	1,293,556	70,984	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>1,636,153</u>	<u>109,726</u>	<u>129,300</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>183,160</u>	<u>94,064</u>	<u>13,014</u>	<u>71,794</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(246,206)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(246,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(63,046)	94,064	13,014	71,794
FUND BALANCES - BEGINNING OF YEAR	<u>63,046</u>	<u>230,299</u>	<u>584,014</u>	<u>123,495</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 324,363</u>	<u>\$ 597,028</u>	<u>\$ 195,289</u>

Special Revenue Funds (Continued)

Housing Authority	AB 939	Beverage Recycling	Community Development Block Grant	Gas Tax	CASP Program
\$ -	\$ -	\$ 20,904	\$ 506,865	\$ 3,302,911	\$ -
-	-	-	-	-	4,356
-	-	-	-	-	-
9,760	-	-	83	64,984	-
106,534	43,796	-	-	8,515	-
<u>116,294</u>	<u>43,796</u>	<u>20,904</u>	<u>506,948</u>	<u>3,376,410</u>	<u>4,356</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	45,800	1,287	-	1,763,377	-
79,424	-	-	173,886	-	-
-	-	-	-	-	-
-	-	35,976	143,980	172,862	-
-	-	-	-	-	-
<u>79,424</u>	<u>45,800</u>	<u>37,263</u>	<u>317,866</u>	<u>1,936,239</u>	<u>-</u>
<u>36,870</u>	<u>(2,004)</u>	<u>(16,359)</u>	<u>189,082</u>	<u>1,440,171</u>	<u>4,356</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
36,870	(2,004)	(16,359)	189,082	1,440,171	4,356
656,288	4,625	63,356	1,684,809	2,254,894	2,760
<u>\$ 693,158</u>	<u>\$ 2,621</u>	<u>\$ 46,997</u>	<u>\$ 1,873,891</u>	<u>\$ 3,695,065</u>	<u>\$ 7,116</u>

(Continued)

CITY OF LAKE FOREST

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

For the year ended June 30, 2019

	Debt Service	Capital Projects Funds		
	Fund		Lake Forest	
	Financing Authority	City Facilities	Transportation Mitigation	Park Development
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Developer contributions	-	-	779,214	960,102
Investment income	-	-	150,705	116,764
Other	-	-	-	-
TOTAL REVENUES	-	-	929,919	1,076,866
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	70,706	1,633,019
Debt service:				
Principal	6,990,000	-	-	-
Interest and fiscal charges	203,602	-	-	-
TOTAL EXPENDITURES	7,193,602	-	70,706	1,633,019
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,193,602)	-	859,213	(556,153)
OTHER FINANCING SOURCES (USES):				
Transfers in	7,193,602	-	-	-
Transfers out	-	(1,708,057)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,193,602	(1,708,057)	-	-
NET CHANGE IN FUND BALANCES	-	(1,708,057)	859,213	(556,153)
FUND BALANCES - BEGINNING OF YEAR	-	1,708,057	6,775,749	6,072,935
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ 7,634,962	\$ 5,516,782

Capital Projects Funds (Continued)

Affordable Housing	City Facilities Replacement	FCPP	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 5,857,413
-	-	-	12,380
45,629	-	1,924,203	3,892,308
116,825	-	-	478,415
-	-	-	158,845
<u>162,454</u>	<u>-</u>	<u>1,924,203</u>	<u>10,399,361</u>
-	-	-	254,194
-	-	-	129,300
-	-	-	1,849,206
-	-	-	253,310
-	-	-	88,403
-	-	-	3,421,083
-	-	-	6,990,000
-	-	-	203,602
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,189,098</u>
<u>162,454</u>	<u>-</u>	<u>1,924,203</u>	<u>(2,789,737)</u>
-	246,206	-	7,439,808
<u>-</u>	<u>-</u>	<u>(4,143,600)</u>	<u>(6,097,863)</u>
<u>-</u>	<u>246,206</u>	<u>(4,143,600)</u>	<u>1,341,945</u>
162,454	246,206	(2,219,397)	(1,447,792)
<u>5,422,469</u>	<u>2,457,900</u>	<u>2,539,919</u>	<u>30,644,615</u>
<u>\$ 5,584,923</u>	<u>\$ 2,704,106</u>	<u>\$ 320,522</u>	<u>\$ 29,196,823</u>

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

CITY FACILITIES MAINTENANCE SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 250,000	\$ 183,160	\$ (66,840)
OTHER FINANCING USES:			
Transfers out	<u>(313,000)</u>	<u>(246,206)</u>	<u>66,794</u>
NET CHANGE IN FUND BALANCE	(63,000)	(63,046)	(46)
FUND BALANCE - BEGINNING OF YEAR	<u>63,046</u>	<u>63,046</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ (46)</u>

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

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 1,850,100	\$ 1,715,590	\$ (134,510)
Charges for services	12,300	8,024	(4,276)
Investment income	7,400	6,603	(797)
TOTAL REVENUES	1,869,800	1,730,217	(139,583)
EXPENDITURES:			
Current:			
General government	254,800	254,194	606
Community services	95,000	88,403	6,597
Capital outlay	1,351,916	1,293,556	58,360
TOTAL EXPENDITURES	1,701,716	1,636,153	65,563
EXCESS OF REVENUES OVER EXPENDITURES	168,084	94,064	(74,020)
FUND BALANCE - BEGINNING OF YEAR	230,299	230,299	-
FUND BALANCE - END OF YEAR	\$ 398,383	\$ 324,363	\$ (74,020)

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 104,000	\$ 110,049	\$ 6,049
Investment income	5,500	12,691	7,191
	<u>109,500</u>	<u>122,740</u>	<u>13,240</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Public works	47,500	38,742	8,758
Capital outlay	517,725	70,984	446,741
	<u>565,225</u>	<u>109,726</u>	<u>455,499</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(455,725)	13,014	468,739
FUND BALANCE - BEGINNING OF YEAR	<u>584,014</u>	<u>584,014</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 128,289</u>	<u>\$ 597,028</u>	<u>\$ 468,739</u>

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

SUPPLEMENTAL LAW ENFORCEMENT GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 125,000	\$ 201,094	\$ 76,094
EXPENDITURES:			
Current:			
Public safety	129,300	129,300	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,300)	71,794	76,094
FUND BALANCE - BEGINNING OF YEAR	123,495	123,495	-
FUND BALANCE - END OF YEAR	<u>\$ 119,195</u>	<u>\$ 195,289</u>	<u>\$ 76,094</u>

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment income	\$ 4,700	\$ 9,760	\$ 5,060
Other	986,500	106,534	(879,966)
TOTAL REVENUES	991,200	116,294	(874,906)
EXPENDITURES:			
Current:			
Community development	134,900	79,424	55,476
EXCESS OF REVENUES OVER EXPENDITURES	856,300	36,870	(819,430)
FUND BALANCE - BEGINNING OF YEAR	656,288	656,288	-
FUND BALANCE - END OF YEAR	\$ 1,512,588	\$ 693,158	\$ (819,430)

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 AB 939 SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Other	\$ 43,000	\$ 43,796	\$ 796
EXPENDITURES:			
Current:			
Public works	45,800	45,800	-
TOTAL EXPENDITURES	45,800	45,800	-
EXCESS OF REVENUES UNDER EXPENDITURES	(2,800)	(2,004)	796
FUND BALANCE - BEGINNING OF YEAR	4,625	4,625	-
FUND BALANCE - END OF YEAR	\$ 1,825	\$ 2,621	\$ 796

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 BEVERAGE RECYCLING SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 21,300	\$ 20,904	\$ (396)
EXPENDITURES:			
Current:			
Public works	21,500	1,287	20,213
Capital outlay	40,000	35,976	4,024
TOTAL EXPENDITURES	61,500	37,263	24,237
EXCESS OF REVENUES UNDER EXPENDITURES	(40,200)	(16,359)	23,841
FUND BALANCE - BEGINNING OF YEAR	63,356	63,356	-
FUND BALANCE - END OF YEAR	\$ 23,156	\$ 46,997	\$ 23,841

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 764,400	\$ 506,865	\$ (257,535)
Investment income	-	83	83
	<u>764,400</u>	<u>506,948</u>	<u>(257,452)</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Community development	482,400	173,886	308,514
Capital outlay	281,980	143,980	138,000
	<u>764,380</u>	<u>317,866</u>	<u>446,514</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	20	189,082	189,062
FUND BALANCE - BEGINNING OF YEAR	<u>1,684,809</u>	<u>1,684,809</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,684,829</u>	<u>\$ 1,873,891</u>	<u>\$ 189,062</u>

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

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 3,161,400	\$ 3,302,911	\$ 141,511
Investment income	20,400	64,984	44,584
Other	4,000	8,515	4,515
TOTAL REVENUES	3,185,800	3,376,410	190,610
EXPENDITURES:			
Current:			
Public works	1,840,700	1,763,377	77,323
Capital outlay	3,090,920	172,862	2,918,058
TOTAL EXPENDITURES	4,931,620	1,936,239	2,995,381
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,745,820)	1,440,171	3,185,991
FUND BALANCE - BEGINNING OF YEAR	2,254,894	2,254,894	-
FUND BALANCE - END OF YEAR	\$ 509,074	\$ 3,695,065	\$ 3,185,991

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

FINANCING AUTHORITY DEBT SERVICE FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Debt service:			
Principal	6,990,000	6,990,000	-
Interest and fiscal charges	203,700	203,602	98
TOTAL EXPENDITURES	7,193,700	7,193,602	98
EXCESS OF REVENUES UNDER EXPENDITURES	(7,193,700)	(7,193,602)	98
OTHER FINANCING SOURCES (USES):			
Transfers in	7,193,700	7,193,602	(98)
TOTAL OTHER FINANCING SOURCES	7,193,700	7,193,602	(98)
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 CITY FACILITIES CAPITAL PROJECTS FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES	\$ -	\$ -	\$ -
OTHER FINANCING USES:			
Transfers out	(1,708,100)	(1,708,057)	43
NET CHANGE IN FUND BALANCE	(1,708,100)	(1,708,057)	43
FUND BALANCE - BEGINNING OF YEAR	1,708,057	1,708,057	-
FUND BALANCE - END OF YEAR	\$ (43)	\$ -	\$ 43

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

LAKE FOREST TRANSPORTATION MITIGATION CAPITAL PROJECTS FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 915,000	\$ 779,214	\$ (135,786)
Investment income	66,900	150,705	83,805
TOTAL REVENUES	981,900	929,919	(51,981)
EXPENDITURES:			
Capital outlay	1,218,355	70,706	1,147,649
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(236,455)	859,213	1,095,668
FUND BALANCE - BEGINNING OF YEAR	6,775,749	6,775,749	-
FUND BALANCE - END OF YEAR	<u>\$ 6,539,294</u>	<u>\$ 7,634,962</u>	<u>\$ 1,095,668</u>

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

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 120,000	\$ 960,102	\$ 840,102
Investment income	45,200	116,764	71,564
TOTAL REVENUES	165,200	1,076,866	911,666
EXPENDITURES:			
Capital outlay	5,851,631	1,633,019	4,218,612
EXCESS OF REVENUES UNDER EXPENDITURES	(5,686,431)	(556,153)	5,130,278
FUND BALANCE - BEGINNING OF YEAR	6,072,935	6,072,935	-
FUND BALANCE - END OF YEAR	\$ 386,504	\$ 5,516,782	\$ 5,130,278

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

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 85,000	\$ 45,629	\$ (39,371)
Investment income	53,200	116,825	63,625
TOTAL REVENUES	138,200	162,454	24,254
EXCESS OF REVENUES OVER EXPENDITURES	138,200	162,454	24,254
FUND BALANCE - BEGINNING OF YEAR	5,422,469	5,422,469	-
FUND BALANCE - END OF YEAR	\$ 5,560,669	\$ 5,584,923	\$ 24,254

CITY OF LAKE FOREST

BUDGETARY COMPARISON SCHEDULE

CITY FACILITIES REPLACEMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES			
General government	\$ 100,000	\$ -	\$ (100,000)
Public works	180,000	-	(180,000)
TOTAL EXPENDITURES	280,000	-	(280,000)
OTHER FINANCING SOURCES:			
Transfers in	313,000	246,206	(66,794)
NET CHANGE IN FUND BALANCE	593,000	246,206	(346,794)
FUND BALANCE - BEGINNING OF YEAR	2,457,900	2,457,900	-
FUND BALANCE - END OF YEAR	<u>\$ 3,050,900</u>	<u>\$ 2,704,106</u>	<u>\$ (346,794)</u>

CITY OF LAKE FOREST
 BUDGETARY COMPARISON SCHEDULE
 FCPP CAPITAL PROJECTS FUND

For the year ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Developer contributions	\$ 1,850,000	\$ 1,924,203	\$ 74,203
EXCESS OF REVENUES OVER EXPENDITURES	1,850,000	1,924,203	74,203
OTHER FINANCING USES:			
Transfers out	(4,143,600)	(4,143,600)	-
NET CHANGE IN FUND BALANCE	(2,293,600)	(2,219,397)	74,203
FUND BALANCE - BEGINNING OF YEAR	2,539,919	2,539,919	-
FUND BALANCE - END OF YEAR	\$ 246,319	\$ 320,522	\$ 74,203

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CITY OF LAKE FOREST, CALIFORNIA

Agency Funds

June 30, 2018

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, 2019

	Road Construction Programs	Strong Motion Instrumentation Program	Building Standards Administration	Total
ASSETS				
Cash and investments	\$ 302,062	\$ 79,685	\$ 18,805	\$ 400,552
TOTAL ASSETS	<u>\$ 302,062</u>	<u>\$ 79,685</u>	<u>\$ 18,805</u>	<u>\$ 400,552</u>
LIABILITIES				
Deposits payable	\$ 302,062	\$ 79,685	\$ 18,805	\$ 400,552
TOTAL LIABILITIES	<u>\$ 302,062</u>	<u>\$ 79,685</u>	<u>\$ 18,805</u>	<u>\$ 400,552</u>

CITY OF LAKE FOREST

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
ROAD CONSTRUCTION PROGRAMS				
ASSETS:				
Cash and investments	\$ 213,935	\$ 2,168,855	\$ 2,080,728	\$ 302,062
TOTAL ASSETS	\$ 213,935	\$ 2,168,855	\$ 2,080,728	\$ 302,062
LIABILITIES:				
Deposits payable	\$ 213,935	\$ 2,168,855	\$ 2,080,728	\$ 302,062
TOTAL LIABILITIES	\$ 213,935	\$ 2,168,855	\$ 2,080,728	\$ 302,062
STRONG MOTION INSTRUMENTATION PROGRAM				
ASSETS:				
Cash and investments	\$ 55,140	\$ 24,571	\$ 26	\$ 79,685
TOTAL ASSETS	\$ 55,140	\$ 24,571	\$ 26	\$ 79,685
LIABILITIES:				
Deposits payable	\$ 55,140	\$ 24,571	\$ 26	\$ 79,685
TOTAL LIABILITIES	\$ 55,140	\$ 24,571	\$ 26	\$ 79,685
BUILDING STANDARDS ADMINISTRATION				
ASSETS:				
Cash and investments	\$ 12,533	\$ 6,285	\$ 13	\$ 18,805
TOTAL ASSETS	\$ 12,533	\$ 6,285	\$ 13	\$ 18,805
LIABILITIES:				
Deposits payable	\$ 12,533	\$ 6,285	\$ 13	\$ 18,805
TOTAL LIABILITIES	\$ 12,533	\$ 6,285	\$ 13	\$ 18,805

(Continued)

CITY OF LAKE FOREST

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

For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 281,608	\$ 2,199,711	\$ 2,080,767	\$ 400,552
TOTAL ASSETS	\$ 281,608	\$ 2,199,711	\$ 2,080,767	\$ 400,552
LIABILITIES:				
Deposits payable	\$ 281,608	\$ 2,199,711	\$ 2,080,767	\$ 400,552
TOTAL LIABILITIES	\$ 281,608	\$ 2,199,711	\$ 2,080,767	\$ 400,552

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2019

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	108 - 116
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	117 - 120
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
Debt Capacity	121- 125
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt.	
Demographic and Economic Information	126 - 127
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	128 - 130
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			
	2019	2018	2017	2016
Governmental activities:				
Net investment in capital assets	\$ 350,135,051	\$ 306,575,269	\$ 289,675,809	\$ 290,672,787
Restricted	46,500,440	85,056,220	86,935,224	57,690,609
Unrestricted	62,454,098	59,233,561	57,503,603	53,161,871
Total governmental activities net position	<u>\$ 459,089,589</u>	<u>\$ 450,865,050</u>	<u>\$ 434,114,636</u>	<u>\$ 401,525,267</u>
Primary government:				
Net investment in capital assets	\$ 350,135,051	\$ 306,575,269	\$ 289,675,809	\$ 290,672,787
Restricted	46,500,440	85,056,220	86,935,224	57,690,609
Unrestricted	62,454,098	59,233,561	57,503,603	53,161,871
Total primary government net position	<u>\$ 459,089,589</u>	<u>\$ 450,865,050</u>	<u>\$ 434,114,636</u>	<u>\$ 401,525,267</u>

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 295,972,599	\$ 279,126,412	\$ 261,724,142	\$ 230,847,108	\$ 196,180,216	\$ 170,707,057
29,800,383	21,073,548	9,879,415	7,250,841	10,548,032	10,901,503
46,337,745	47,136,786	41,298,066	71,885,182	81,447,176	95,586,635
<u>\$ 372,110,727</u>	<u>\$ 347,336,746</u>	<u>\$ 312,901,623</u>	<u>\$ 309,983,131</u>	<u>\$ 288,175,424</u>	<u>\$ 277,195,195</u>
\$ 295,972,599	\$ 279,126,412	\$ 261,724,142	\$ 230,847,108	\$ 196,180,216	\$ 170,707,057
29,800,383	21,073,548	9,879,415	7,250,841	10,548,032	10,901,503
46,337,745	47,136,786	41,298,066	71,885,182	81,447,176	95,586,635
<u>\$ 372,110,727</u>	<u>\$ 347,336,746</u>	<u>\$ 312,901,623</u>	<u>\$ 309,983,131</u>	<u>\$ 288,175,424</u>	<u>\$ 277,195,195</u>

CITY OF LAKE FOREST
CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2019	2018	2017	2016
Expenses:				
Governmental activities:				
General government	\$ 7,093,463	\$ 6,546,094	\$ 4,272,828	\$ 3,335,882
Public safety	18,425,493	17,923,801	17,077,527	14,853,065
Public works	24,444,530	24,687,112	23,524,052	20,500,898
Community development	3,911,748	3,416,043	4,099,647	3,085,798
Management services	1,984,013	1,685,829	3,530,256	4,282,761
Community services	4,020,637	3,822,054	3,669,210	3,513,867
Redevelopment/economic development	-	1,259,409	1,364,991	1,303,781
Interest on long-term debt	180,651	296,355	326,511	355,732
Total governmental activities expenses	<u>60,060,535</u>	<u>59,636,697</u>	<u>57,865,022</u>	<u>51,231,784</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	38,118	111,937	53,071	29,163
Public safety	482,786	427,082	421,998	539,537
Public works	2,483,073	2,211,935	2,256,578	1,557,687
Community development	3,026,777	3,934,617	5,291,838	4,007,925
Management services	49,433	38,477	29,702	22,175
Community services	850,639	849,645	776,774	796,292
Operating grants and contributions	5,684,836	5,497,777	4,482,584	3,883,399
Capital grants and contributions	6,781,304	20,318,939	36,901,620	31,307,562
Total governmental activities program revenues	<u>19,396,966</u>	<u>33,390,409</u>	<u>50,214,165</u>	<u>42,143,740</u>
Total primary government program revenues	<u>19,396,966</u>	<u>33,390,409</u>	<u>50,214,165</u>	<u>42,143,740</u>
Net revenues (expenses):				
Governmental activities	<u>(40,663,569)</u>	<u>(26,246,288)</u>	<u>(7,650,857)</u>	<u>(9,088,044)</u>
Total net revenues (expenses)	<u>(40,663,569)</u>	<u>(26,246,288)</u>	<u>(7,650,857)</u>	<u>(9,088,044)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	20,162,559	18,729,118	17,387,743	16,481,857
Transient occupancy taxes	3,670,842	3,809,393	3,775,297	3,575,733
Other taxes	2,663,628	2,506,724	2,355,130	2,565,754
Motor vehicle in lieu, unrestricted	-	-	-	-
Intergovernmental - sales tax	17,104,605	16,051,061	15,639,800	15,425,638
Investment income	3,606,918	1,621,638	740,011	893,502
Other general revenues	1,679,556	524,935	342,245	453,558
Total governmental activities	<u>48,888,108</u>	<u>43,242,869</u>	<u>40,240,226</u>	<u>39,396,042</u>
Total primary government	<u>48,888,108</u>	<u>43,242,869</u>	<u>40,240,226</u>	<u>39,396,042</u>
Changes in net position-Governmental activities before extraordinary items	8,224,539	16,996,581	32,589,369	30,307,998
Loss on sale of property	-	-	-	(893,458)
Gain on transfer to Successor Agency	-	-	-	-
Repayment of redevelopment agency transfers	-	-	-	-
Changes in net position-Governmental activities	<u>8,224,539</u>	<u>16,996,581</u>	<u>32,589,369</u>	<u>29,414,540</u>
Total primary government	<u>\$ 8,224,539</u>	<u>\$ 16,996,581</u>	<u>\$ 32,589,369</u>	<u>\$ 29,414,540</u>

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 3,332,153	\$ 3,401,844	\$ 3,631,087	\$ 4,431,490	\$ 4,377,337	\$ 4,621,487
14,194,696	13,112,376	13,042,863	12,727,476	12,873,177	12,999,563
20,092,962	16,586,125	15,675,226	18,319,374	16,115,328	16,921,113
2,952,975	3,365,898	2,276,925	3,157,839	2,660,830	2,838,603
3,851,942	3,921,282	3,573,679	1,925,802	1,606,779	1,756,235
3,583,291	2,982,195	2,860,468	3,196,803	3,058,292	3,102,590
1,399,347	1,257,816	1,129,619	2,470,827	2,958,997	1,477,888
383,724	415,851	437,281	789,553	332,045	349,056
<u>49,791,090</u>	<u>45,043,387</u>	<u>42,627,148</u>	<u>47,019,164</u>	<u>43,982,785</u>	<u>44,066,535</u>
24,083	351	19,310	24,229	29,311	20,888
445,789	585,640	403,329	455,602	560,819	490,693
1,201,162	972,382	2,440,566	1,343,146	936,195	121,098
2,892,724	3,809,208	1,730,035	1,712,059	1,388,941	1,358,687
19,212	36,251	-	-	-	-
562,548	325,946	1,129,883	679,038	272,446	446,320
4,407,227	4,355,113	4,003,150	4,082,601	4,830,388	5,444,395
33,597,542	34,320,520	1,669,232	23,696,197	12,396,561	1,298,378
<u>43,150,287</u>	<u>44,405,411</u>	<u>11,395,505</u>	<u>31,992,872</u>	<u>20,414,661</u>	<u>9,180,459</u>
<u>43,150,287</u>	<u>44,405,411</u>	<u>11,395,505</u>	<u>31,992,872</u>	<u>20,414,661</u>	<u>9,180,459</u>
<u>(6,640,803)</u>	<u>(637,976)</u>	<u>(31,231,643)</u>	<u>(15,026,292)</u>	<u>(23,568,124)</u>	<u>(34,886,076)</u>
<u>(6,640,803)</u>	<u>(637,976)</u>	<u>(31,231,643)</u>	<u>(15,026,292)</u>	<u>(23,568,124)</u>	<u>(34,886,076)</u>
15,556,617	14,999,228	14,395,454	17,348,415	17,314,284	15,701,434
3,406,661	3,140,515	2,823,471	2,670,446	2,439,443	1,939,344
2,620,206	2,358,139	2,249,330	2,229,573	2,269,023	2,237,285
-	-	33,397	40,353	398,659	230,061
13,810,581	13,333,699	13,063,075	13,046,917	12,630,144	10,912,353
304,820	324,078	215,956	350,785	479,877	1,179,089
465,899	872,777	1,369,432	3,094,968	418,151	304,932
<u>36,164,784</u>	<u>35,028,436</u>	<u>34,150,115</u>	<u>38,781,457</u>	<u>35,949,581</u>	<u>32,504,498</u>
<u>36,164,784</u>	<u>35,028,436</u>	<u>34,150,115</u>	<u>38,781,457</u>	<u>35,949,581</u>	<u>32,504,498</u>
29,523,981	34,390,460	2,918,472	23,755,165	12,381,457	(2,381,578)
-	-	-	-	-	-
-	-	-	2,229,560	-	-
-	-	-	(4,176,998)	-	-
<u>29,523,981</u>	<u>34,390,460</u>	<u>2,918,472</u>	<u>21,807,727</u>	<u>12,381,457</u>	<u>(2,381,578)</u>
<u>\$ 29,523,981</u>	<u>\$ 34,390,460</u>	<u>\$ 2,918,472</u>	<u>\$ 21,807,727</u>	<u>\$ 12,381,457</u>	<u>\$ (2,381,578)</u>

CITY OF LAKE FOREST

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2019	2018	2017	2016
General fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

General fund:				
Nonspendable	\$ 264,614	\$ 177,773	\$ 226,841	\$ 178,475
Restricted	1,303,586	1,224,083	1,150,267	1,043,297
Assigned	21,165,375	9,664,400	9,278,800	8,849,600
Unassigned	<u>31,438,240</u>	<u>41,264,992</u>	<u>38,435,970</u>	<u>33,963,474</u>
Total general fund	<u>\$ 54,171,815</u>	<u>\$ 52,331,248</u>	<u>\$ 49,091,878</u>	<u>\$ 44,034,846</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	44,642,003	78,509,217	85,612,637	56,647,312
Assigned	7,971,979	5,609,280	8,063,531	9,883,339
Unassigned	<u>2</u>	<u>-</u>	<u>429,200</u>	<u>-</u>
Total all other governmental funds	<u>\$ 52,613,984</u>	<u>\$ 84,118,497</u>	<u>\$ 94,105,368</u>	<u>\$ 66,530,651</u>

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

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,182,459
-	-	-	-	-	73,122,377
<u>\$ -</u>	<u>\$ 75,304,836</u>				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,462,562
-	-	-	-	-	5,758,225
-	-	-	-	-	18,862,833
-	-	-	-	-	3,562,986
<u>\$ -</u>	<u>\$ 29,646,606</u>				
\$ 303,476	\$ 163,350	\$ 267,395	\$ 198,110	\$ 166,614	\$ -
-	-	-	-	-	-
8,222,100	8,149,100	-	-	-	-
<u>38,472,716</u>	<u>34,469,805</u>	<u>42,921,495</u>	<u>40,982,087</u>	<u>55,302,963</u>	<u>-</u>
<u>\$ 46,998,292</u>	<u>\$ 42,782,255</u>	<u>\$ 43,188,890</u>	<u>\$ 41,180,197</u>	<u>\$ 55,469,577</u>	<u>\$ -</u>
\$ -	\$ -	\$ 326,000	\$ 524,110	\$ 4,814	\$ -
29,800,383	21,073,548	18,042,527	15,772,134	9,720,988	-
2,927,234	3,814,142	-	18,506,771	24,498,506	-
-	-	(1,900,136)	40,967,573	(52,959)	-
<u>\$ 32,727,617</u>	<u>\$ 24,887,690</u>	<u>\$ 16,468,391</u>	<u>\$ 75,770,588</u>	<u>\$ 34,171,349</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			
	2019	2018	2017	2016
Revenues:				
Taxes	\$ 26,497,028	\$ 25,045,234	\$ 23,518,169	\$ 22,623,344
Licenses and permits	1,911,831	2,896,694	4,143,620	2,790,321
Intergovernmental	6,266,256	5,656,807	6,082,999	5,299,236
Intergovernmental - sales tax	17,104,605	16,051,061	15,639,800	15,425,638
Charges for services	4,558,338	4,485,677	3,851,938	3,622,922
Developer contributions	5,245,729	14,154,993	34,508,514	30,398,863
Fines and forfeitures	482,786	427,082	421,998	539,537
Investment income	3,488,019	1,499,305	630,072	743,633
Other	8,044,385	1,544,301	445,176	560,925
Total revenues	73,598,977	71,761,154	89,242,286	82,004,419
Expenditures:				
Current:				
General government	7,047,438	8,505,683	4,016,228	3,581,304
Public safety	18,373,444	17,884,907	17,038,633	14,814,171
Public works	13,864,198	13,224,651	12,007,222	11,856,321
Community development	3,911,748	3,416,043	4,099,647	3,085,798
Management services	1,958,692	1,648,719	3,422,954	8,023,916
Community services	4,016,020	3,817,436	3,664,055	3,511,798
Redevelopment/economic development	-	1,259,409	1,364,991	1,614,624
SERAF payment to State	-	-	-	-
Capital outlay	47,168,469	27,662,859	9,912,817	3,257,753
Debt service:				
Principal retirement	6,990,000	790,000	755,000	735,000
Interest and fiscal charges	203,602	298,948	328,990	358,146
Pass-through payments	-	-	-	-
Total expenditures	103,533,611	78,508,655	56,610,537	50,838,831
Excess (deficiency) of revenues over (under) expenditures	(29,934,634)	(6,747,501)	32,631,749	31,165,588
Other financing sources (uses):				
Transfers in	12,626,644	19,685,984	1,084,000	10,784,300
Transfers out	(12,626,644)	(19,685,984)	(1,084,000)	(10,784,300)
Insurance proceeds	270,786	-	-	-
Proceeds from long-term debt	-	-	-	-
Total other financing sources (uses)	270,786	-	-	-
Net change in fund balances	\$ (29,663,848)	\$ (6,747,501)	\$ 32,631,749	\$ 31,165,588
Debt service as a percentage of non-capital expenditures	12.2%	2.0%	2.0%	2.7%

Fiscal Year						
2015	2014	2013	2012	2011	2010	
\$ 21,583,487	\$ 20,497,881	\$ 19,468,255	\$ 22,248,435	\$ 22,022,750	\$ 22,690,045	
2,200,371	2,640,893	683,862	672,455	513,965	513,001	
5,290,837	5,680,608	6,310,356	5,541,814	5,746,688	6,554,126	
13,810,581	13,333,699	13,063,075	13,046,917	12,630,144	10,912,353	
2,499,356	2,503,247	1,684,363	1,495,078	1,341,009	1,437,291	
18,099,875	32,492,822	2,920,636	1,499,118	750,000	-	
445,789	585,640	403,329	455,603	557,083	487,085	
184,350	203,521	93,036	276,011	327,868	1,226,620	
660,722	1,550,729	1,906,036	3,480,543	666,952	370,634	
<u>64,775,368</u>	<u>79,489,040</u>	<u>46,532,948</u>	<u>48,715,974</u>	<u>44,556,459</u>	<u>44,191,155</u>	
3,420,787	3,243,702	3,620,347	4,371,323	4,080,480	4,411,123	
14,174,946	13,111,640	13,033,454	12,706,470	12,847,909	12,953,360	
10,209,731	8,902,113	8,901,096	9,102,263	8,585,160	8,760,691	
2,952,975	3,365,898	2,276,925	3,066,889	2,564,139	2,762,563	
3,699,805	3,766,966	3,414,653	2,648,656	1,489,604	1,606,047	
3,580,642	2,980,126	2,857,399	3,193,906	3,054,343	3,084,891	
1,399,347	1,257,817	1,285,719	1,065,433	1,517,755	1,477,888	
-	-	-	-	249,002	1,209,535	
12,195,149	35,175,690	26,824,641	25,189,687	24,672,951	8,756,989	
700,000	995,000	-	235,000	225,000	220,000	
386,022	419,118	432,021	571,068	322,138	339,500	
-	-	-	1,510,394	1,532,740	1,602,447	
<u>52,719,404</u>	<u>73,218,070</u>	<u>62,646,255</u>	<u>63,661,089</u>	<u>61,141,221</u>	<u>47,185,034</u>	
12,055,964	6,270,970	(16,113,307)	(14,945,115)	(16,584,762)	(2,993,879)	
1,511,022	11,815,048	4,587	901,704	24,389,199	23,531,247	
(1,511,022)	(11,815,048)	(4,587)	(927,733)	(24,389,199)	(23,531,247)	
-	-	-	-	-	-	
-	-	-	10,965,000	-	-	
-	-	-	10,938,971	-	-	
<u>\$ 12,055,964</u>	<u>\$ 6,270,970</u>	<u>\$ (16,113,307)</u>	<u>\$ (4,006,144)</u>	<u>\$ (16,584,762)</u>	<u>\$ (2,993,879)</u>	
2.6%	3.5%	1.2%	1.7%	1.4%	1.3%	

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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
2019	\$ 11,557,423	\$ 2,023,829	\$ 1,318,444	\$ 3,630	\$ 14,903,326	\$ 837,756	\$ 15,741,082	0.141%
2018	10,695,451	1,826,903	1,244,976	9,411	13,776,741	829,827	14,606,568	0.141%
2017	9,729,426	1,791,989	1,220,858	70,883	12,813,156	787,421	13,600,577	0.141%
2016	8,745,124	1,757,313	1,196,728	108,993	11,808,158	764,235	12,572,393	0.141%
2015	8,181,992	1,717,288	1,140,991	76,036	11,116,307	804,932	11,921,239	0.141%
2014	7,617,416	1,702,038	1,222,872	79,979	10,622,305	610,661	11,232,966	0.141%
2013	7,436,920	1,601,855	1,161,150	78,415	10,278,340	633,967	10,912,307	0.141%
2012	7,366,787	1,574,783	1,143,125	55,163	10,139,858	610,489	10,750,347	0.141%
2011	7,167,735	1,597,821	1,162,907	61,362	9,989,825	676,167	10,665,992	0.141%
2010	7,159,114	1,683,444	1,234,199	63,548	10,140,305	668,440	10,808,745	0.141%

Source: County Assessor data, .

(1.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

* Assessed Values do not include Homeowner Exemptions

Source: Orange County Assessor data, HDL Coren; 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			
	2019	2018	2017	2016
Basic Levy:				
City of Lake Forest	0.04190	0.04186	0.04186	0.04186
City of Lake Forest Community Service Area Reorganization	0.07070	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	0.14119	0.14119
Overlapping Rates				
Saddleback Valley Unified General Fund	0.43640	0.43637	0.43637	0.43637
Educational Revenue Augmentation Fund	0.11100	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	0.03102	0.03102	0.03103	0.03103
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	0.00107	0.00107	0.00108	0.00108
Orange County Cemetery District	0.00048	0.00048	0.00048	0.00048
Total Basic Levy	1.00000	1.00000	1.00000	1.00000
Additional Levies (Voter-Approved Rates)				
Irvine Ranch Water District	0.000280	0.028000	0.389740	0.028000
Los Alisos Water District (land value only)	0.000000	0.000000	0.000000	0.000000
Metropolitan Water District	0.003500	0.003500	0.004300	0.003500
Orange County Improvement Bonds	0.000000	0.000000	0.000000	0.000000
Orange County Flood Control District	0.000000	0.000000	0.000000	0.000000
Saddleback Valley Unified School District Bond	0.023920	0.023650	0.026680	0.030080
Tustin Union High School District	0.000000	0.000000	0.000000	0.000000
San Joaquin School District	0.000000	0.000000	0.000000	0.000000
Total Voter-Approved Levies	0.02770	0.05515	0.42072	0.06158
Total Tax Rate	1.02770	1.05515	1.42072	1.06158

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,

Fiscal Year					
2015	2014	2013	2012	2011	2010
0.04186	0.04186	0.04186	0.04186	0.04186	0.04186
0.07075	0.07075	0.07075	0.07075	0.07075	0.07075
0.01692	0.01692	0.01692	0.01692	0.01692	0.01692
0.01167	0.01167	0.01167	0.01167	0.01167	0.01167
0.14119	0.14119	0.14119	0.14119	0.14120	0.1412
0.43637	0.43637	0.43637	0.43637	0.43637	0.43637
0.11103	0.11103	0.11103	0.11103	0.11103	0.11103
0.10821	0.10821	0.10821	0.10821	0.10821	0.10821
0.08522	0.08522	0.08522	0.08522	0.08522	0.08522
0.03103	0.03103	0.03103	0.03103	0.03102	0.03102
0.01904	0.01904	0.01904	0.01904	0.01904	0.01904
0.01719	0.01719	0.01719	0.01719	0.01719	0.01719
0.01605	0.01605	0.01605	0.01605	0.01605	0.01605
0.01571	0.01571	0.01571	0.01571	0.01571	0.01571
0.01472	0.01472	0.01472	0.01472	0.01472	0.01472
0.00270	0.00270	0.00270	0.00270	0.00270	0.00270
0.00108	0.00108	0.00108	0.00108	0.00107	0.00107
0.00048	0.00048	0.00048	0.00048	0.00047	0.00047
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.028000	0.00687	0.00687	0.00687	0.01374	0.01374
0.000000	0.00000	0.00000	0.00000	0.00000	0.00000
0.003500	0.00350	0.00350	0.00370	0.00370	0.00430
0.000000	0.00000	0.00000	0.00000	0.00000	0.00000
0.000000	0.00000	0.00000	0.00000	0.00000	0.00000
0.028060	0.03207	0.03265	0.03163	0.03194	0.03043
0.000000	0.00000	0.00000	0.00000	0.00000	0.00000
0.000000	0.00000	0.00000	0.00000	0.00000	0.00000
0.05956	0.04244	0.04302	0.04220	0.04938	0.04847
1.05956	1.04244	1.04302	1.04220	1.04938	1.04847

CITY OF LAKE FOREST
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2018-19		2009-10	
	Assessed Value	Percent of Total Assessed Value	Assessed Value	Percent of Total Assessed Value
Oakley Inc.	166,448,640	1.04%	169,080,309	1.55%
Lennar Homes of California, Inc.	136,000,000	0.85%		0.00%
Orchard Lake Forest Ca Lp	127,845,937	0.80%		0.00%
Panasonic Avionics Corp	112,652,946	0.70%	59,584,901	0.55%
Avalon Baker Ranch LP	111,791,337	0.70%		0.00%
Drawbridge Pacific Vista LLC	109,088,000	0.68%		0.00%
Portola PA-1 Owner LLC	79,720,637	0.50%		0.00%
Buchheim Properties II	72,869,038	0.45%	53,807,923	0.49%
Prologis California I LLC	65,811,405	0.41%	62,098,742	0.57%
Portola PA 5B Owner LLC	56,166,087	0.35%		0.00%
Icon Owner Pool 1 LA Bus Parks LLC	55,941,161	0.35%		0.00%
Comref So Ca Industrial Sub F	53,314,944	0.33%		0.00%
TaeTechnologies Inc.	52,516,313	0.33%		0.00%
Cref X Foothill Plaza Lc	51,417,827	0.32%		0.00%
Applied Medical Resources	48,590,422	0.30%		0.00%
Acquiport Three Corp	48,123,601	0.30%	41,691,738	0.38%
Lake Forest Bellecocur LLC	47,950,000	0.30%		0.00%
Avalon Arboretum LP	46,446,875	0.29%		0.00%
WLCO LF Partners	45,903,509	0.29%	40,557,276	0.37%
Olen Properties Corporation	45,439,789	0.28%		0.00%
U S Reif Lake Forest Village C	42,503,318	0.27%	38,456,000	0.35%
EFTFTB LLC	42,006,985	0.26%		0.00%
Cadigan Canyon Woods LLC	41,639,044	0.26%		0.00%
Lake Forest Income Partners Ho	41,550,395	0.26%		0.00%
Pinnacle Asset Mgmt Group LLC	40,800,000	0.25%		0.00%
Arden Realty LTD Ptnshp		0.00%	64,244,699	0.59%
Walton CWCA Spectrum 56 LLC		0.00%	58,262,400	0.53%
FPOC LLC		0.00%	58,250,000	0.53%
WALF LLC		0.00%	52,491,871	0.48%
MEPT Pacic Vista Business Center LLC		0.00%	49,667,143	0.46%
Bixby Land Company		0.00%	49,636,635	0.45%
Metropolitan Life		0.00%	47,518,310	0.44%
NP Bellecour Inc.		0.00%	43,911,314	0.40%
Western Digital Technolog		0.00%	43,754,649	0.40%
UDR Arboretum Apartments		0.00%	42,840,925	0.39%
GRE Foothill LLC		0.00%	42,181,185	0.39%
Realty Associates Fund Vi		0.00%	39,476,746	0.36%
Shea Baker Ranch Associates LLC		0.00%	38,422,162	0.35%
Walton CWCA Lake Forest		0.00%	36,414,000	0.33%
Foothill Pacific Towne Centre		0.00%	35,924,676	0.33%
AEW LT 50 Icon LLC		0.00%	35,330,396	0.32%
L M No. 12 Lake Forest II		0.00%	34,675,461	0.32%
EQR Siena Terrace LLC		0.00%	34,214,578	0.31%
Top Twenty-Five Totals	<u>\$ 1,742,538,210</u>	<u>10.87%</u>	<u>\$ 1,272,494,039</u>	<u>11.66%</u>
City Totals	<u>\$ 16,025,516,765</u>	100.00%	<u>\$ 10,913,535,274</u>	100.00%

Note: Total assessed value 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
2019	\$ 9,569,152	\$ 9,396,696	98.20%	\$ -	\$ 9,396,696	98.20%
2018	8,855,280	8,705,865	98.31%	-	8,705,865	98.31%
2017	8,304,110	8,172,103	98.41%	-	8,172,103	98.41%
2016	7,819,055	7,659,963	97.97%	-	7,659,963	97.97%
2015	7,305,141	7,113,455	97.38%	-	7,113,455	97.38%
2014	6,949,847	6,773,880	97.47%	-	6,773,880	97.47%
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%

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

** These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent fiscal year from Fiscal Year 2005-06 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
2019	\$ -	\$ -	\$ -	0.00%	*	\$ -
2018	6,990,000	6,990,000	6,990,000	0.05%	*	82
2017	7,780,000	7,780,000	7,780,000	0.06%	3.73%	92
2016	8,535,000	8,535,000	8,535,000	0.07%	4.33%	100
2015	9,270,000	9,270,000	9,270,000	0.08%	5.06%	109
2014	9,970,000	9,970,000	9,970,000	0.09%	5.75%	117
2013	10,965,000	10,965,000	10,965,000	0.10%	6.61%	129
2012	10,965,000	10,965,000	10,965,000	0.10%	6.65%	129
2011	8,100,000	8,100,000	8,100,000	0.08%	5.26%	97
2010	8,325,000	8,325,000	8,325,000	0.08%	5.66%	104

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, 2019

<u>Direct and Overlapping Tax and Assessment Debt:</u>	Total Debt 6/30/2019	% Applicable (1)	City's Share of Debt
Metropolitan Water District	\$ 48,050,000	0.547%	\$ 262,834
Saddleback Valley Unified School District	107,700,000	38.449%	41,409,573
Irvine Ranch Water District I.D. No. 125	182,251,780	16.805%	30,627,412
Irvine Ranch Water District I.D. No. 185	3,298,460	100.000%	3,298,460
Irvine Ranch Water District I.D. No. 188	1,818,100	100.000%	1,818,100
Irvine Ranch Water District I.D. No. 225	260,075,110	19.230%	50,012,444
Irvine Ranch Water District I.D. No. 288	144,760	100.000%	144,760
Orange County Community Facilities 87-4	1,685,000	100.000%	1,685,000
TOTAL DIRECT & OVERLAPPING TAX & ASSESSMENT DEBT			129,258,583
<u>Overlapping General Fund Obligation Debt:</u>			
Orange County General Fund Obligations	\$ 388,720,000	2.697%	\$ 10,483,778
Orange County Pension Obligation	407,629,239	2.697%	10,993,761
Orange County Board of Education Certificates of Participation (COPS)	13,490,000	2.697%	363,825
City of Lake Forest Certificates of Participation	-	100%	-
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT			21,841,363
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 21,841,363
<u>Overlapping Tax Increment Debt (Successor Agencies)</u>			
City of Lake Forest El Toro Road Improvements Certificates of Participation	\$ 6,025,000	97.187%	\$ 5,855,517
Orange County Neighborhood Project Tax Allocation Bonds	6,320,000	29.820%	1,884,624
TOTAL OVERLAPPING TAX INCREMENT DEBT			7,740,141
TOTAL DIRECT DEBT			\$ -
TOTAL GROSS OVERLAPPING DEBT			\$ 158,840,087
TOTAL NET OVERLAPPING DEBT			\$ 158,840,087
GROSS COMBINED TOTAL DEBT			\$ 158,840,087 (2)
NET COMBINED TOTAL DEBT			\$ 158,840,087

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property 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 district's total taxable assessed value.

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

CITY OF LAKE FOREST
 DIRECT AND OVERLAPPING DEBT
 June 30, 2019

Ratios to 2018-19 Assessed Valuation:

2018-19 Assessed Valuation \$ 15,968,846,956

Total Overlapping Tax and Assessment Debt

Ratios to Assessed Valuation:

Gross Combined Direct Debt	0.00%
Gross Combined Total Debt	0.81%
Net Combined Total Debt	0.99%

Ratios to Redevelopment Incremental Value (\$917,419,299)

Total Overlapping Tax Increment Debt	0.84%
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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>
2019	\$ 15,968,846,956	15%	\$ 2,395,327,043	\$ -	\$ 2,395,327,043
2018	14,701,560,696	15%	2,205,234,104	-	2,205,234,104
2017	13,710,657,105	15%	2,056,598,566	-	2,056,598,566
2016	12,672,969,354	15%	1,900,945,403	-	1,900,945,403
2015	11,921,239,173	15%	1,788,185,876	-	1,788,185,876
2014	11,238,774,618	15%	1,685,816,193	-	1,685,816,193
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

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)
2019	86,346	*	*	2.7%
2018	84,845	220,684,684	69,268	2.6%
2017	84,931	208,635,019	65,400	2.3%
2016	83,910	196,920,661	62,071	2.9%
2015	80,070	183,052,341	57,749	2.9%
2014	79,139	173,305,650	55,096	3.3%
2013	78,501	165,857,885	54,519	4.3%
2012	78,036	164,970,595	52,342	4.8%
2011	77,481	154,131,535	50,440	5.3%
2010	78,720	147,138,449	48,760	6.6%

* Data is unavailable.

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

CITY OF LAKE FOREST

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2019		2010	
	Number of Employees ¹	Percent of Total Employment	Number of Employees	Percent of Total Employment
Panasonic Avionics	2,300	4.85%	1,000.00	2.94%
Loan Depot	2,107	4.45%		0.00%
Oakley Inc.	1,415	2.99%	2,400	0.00%
Schneider Electric (formerly Invensys Corporation)	502	1.06%		0.00%
Spectrum Brands HHI	490	1.03%		0.00%
Cox Communications	480	1.01%		0.00%
Bal Seal Engineering	423	0.89%		0.00%
Home Depot USA Inc.	348	0.73%	350	1.03%
Wal-Mart	338	0.71%	211	0.00%
Alcon Research	315	0.66%		0.00%
Western Digital Corporation		0.00%	1,158	3.41%
Stanley Black & Decker		0.00%	397	1.17%
Apria Healthcare Group Inc.		0.00%	350	1.03%
Wonderware Corp.		0.00%	322	0.95%
Wet Seal		0.00%	274	0.81%
Eventz Extraordinaire Inc.		0.00%	250	0.74%
U.S. Real Estate Services, Inc.		0.00%	230	0.68%
Sole Technology, Inc.		0.00%	205	0.60%
Casa Pacifica		0.00%	200	0.59%
Saddleback Valley School District		0.00%	200	0.59%
Varian, Inc.		0.00%	165	0.49%
	8,718	18.38%	7,712	15.03%
Total Employment ²	47,400		34,000	

Source: ¹ Information Provided by Companies

² California Employment Development Department - October 2019

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, 2019										
<u>Function</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General government	28	28	32	33	30	30	32	28	28	28
Public works	17	17	17	16	13	12	12	13	13	12
Development services	14	12	9	9	9	11	10	15	15	16
Community services ¹	116	100	90	85	87	66	74	61	55 ¹	25
Police services	<u>1</u>	<u>1</u>								
Total	<u>176</u>	<u>158</u>	<u>149</u>	<u>144</u>	<u>140</u>	<u>120</u>	<u>129</u>	<u>118</u>	<u>112</u>	<u>82</u>

¹ 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 Ten Fiscal Years

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police: ¹										
Arrests	853	875	719	843	718	829	1,073	975	886	1,080
Number of calls responded to	32,294	29,591	29,300	30,447	23,093	23,187	23,563	24,114	25,006	24,505
Public works:										
Street resurfacing (miles)	-	-	3	10	16	9	7	9	25	25
Parks and recreation:										
Number of recreation classes ²	1,158	1,393	1,137	1,127	993	883	698	782	775	590
Number of facility rentals	636	633	659	679	439	349	331	241	226	1,487

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.

CITY OF LAKE FOREST
 CAPITAL ASSET STATISTICS
 BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Streets (miles)	197	197	197	196	196	194	194	188	188	188
Traffic signals	102	102	97	97	98	97	97	95	95	95
Parks and recreation:										
Parks	29	29	29	29	29	27	27	27	27	27
Community centers	2	2	2	2	2	1	1	1	1	1

Source: City of Lake Forest