



CPAs AND ADVISORS

CITY OF LOS ALAMITOS, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

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CITY OF LOS ALAMITOS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2019

Prepared by:
ERIC HENDRICKSON
FINANCE DIRECTOR



CITY OF LOS ALAMITOS, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2019

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December 24, 2019

HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Los Alamitos (the City) for the fiscal year ended June 30, 2019.

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 of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the costs of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The City's financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

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

City of Los Alamitos Profile

The City of Los Alamitos, which has a population of 11,636 and is 4.3 square miles, is located in the northwest section of Orange County. The City is strategically located in Southern California, 30 miles from downtown Los Angeles and 10 miles from Anaheim. The City is 10 miles northeast of the seaport terminal of Long Beach, and 13 miles northeast of the Port of Los Angeles. Neighboring communities include Long Beach, Seal Beach, Cypress and Garden Grove.

The City of Los Alamitos is a Charter City and was incorporated on March 1, 1960. The City has a Council-Manager form of government. The City Council is comprised of five members elected bi-annually to four-year alternating terms. The City Council annually elects a Mayor from its members. The City Council appoints the City Manager, who is responsible for the day-to-day administration and management of City business within all City departments. The City employs a staff of fifty-two budgeted full-time employees. The City has contracts with Woodruff, Spradlin & Smart for city attorney services and Liebert Cassidy Whitmore for legal services related to labor and employment law.

The City provides many services, including police protection, construction and maintenance of streets and other infrastructure, public improvements, planning and zoning, recreational activities and cultural events, and general administrative and support services.

The annual budget serves as the foundation for the City's financial planning and control. The City Council holds public hearings and adopts an annual budget resolution for all funds. Adoption of the annual budget must occur prior to the conclusion of the prior fiscal year. The City Council may modify appropriations with majority approval. The budgets are adopted and presented on a basis consistent with generally accepted accounting principles.

Changes in budget appropriations at the fund level during the year must be approved by the City Council. The legal level of expenditures is controlled at the department level and appropriations lapse at the end of each fiscal year unless encumbered for re-appropriation by the City Council in the following fiscal year. The City Manager may, without Council approval, amend individual line items within any department, and between divisions and programs, in the personnel costs, maintenance and operations, capital outlay and capital projects portions of the budget without increasing total appropriations for any fund.

Economic Outlook

The economy continues to grow. The City of Los Alamitos and the County of Orange has outperformed much of California. The City's labor market continues to improve with the unemployment rate currently at approximately 3.0% compared to the state's unemployment rate of 4.2%.

The City of Los Alamitos relies heavily on taxes, its primary source of revenue, comprising approximately 80% of all General Fund revenues. The majority of the tax revenues are collected from property taxes, sales taxes, and utility users' taxes. The City's property tax revenues have increased over the past years and are expected to continue to increase next year, based upon an increase in assessed valuations of 2%. The City's sales tax revenues are expected to remain steady from Fiscal Year 2018-19, which reflects a strong robust and thriving local economy. The City's third major tax revenue source, utility users' tax, is expected to remain relatively flat over the prior year. General Fund revenues are projected to slightly decrease next fiscal year by approximately \$125,000. However, the City adopted a balanced budget for Fiscal Year 2019-20, while continuing to maintain vital services to the community.

Long-Term Financial Planning and Major Initiatives

As of June 30, 2019, the City's General Fund had fund balance unassigned and assigned of approximately \$8.8 million. Of this amount, \$3.6 million is committed for emergencies, \$3.62 million designated for PERS reserves, \$500,000 designated for retiree medical insurance benefits and approximately \$469,000 is assigned for encumbrances. Nonspendable fund balance consists primarily of prepaid amounts for the 2019-20 Fiscal Year, which were paid during the 2018-19 Fiscal Year.

Annually, the City updates a five (5) year Capital Improvement Program (CIP). The Capital Improvement Program for Fiscal Year 2019-20 totals \$1,758,982, which includes \$722,332 carried forward from Fiscal Year 2018-19. Projects include, but are not limited to, the new motor for the Fenley Pump Station, City Hall Generator, Farquhar Avenue Rehabilitation and other street and park playground improvements. The Capital Improvement Program continues to provide a significant amount of funding for public safety, parks and streets.

Every year the City strives to adopt a balanced budget, ensuring short-term spending and long-term goals are met. However, the City projects budgetary shortfalls in the near future. Rising pension costs, uncontrollable expenses related to state-mandates, and stagnating revenues are a few of the reasons for the projected shortfall. To combat this, the City has embarked on a Fiscal Sustainability plan to increase awareness of its financial condition. Community meetings, public outreach, and a statistical survey are underway, and the City will address this matter in the upcoming fiscal year.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The preparation and publication of this report would not have been possible without the dedication, professionalism, and teamwork of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted in its preparation. The City Council has continued to extend their support to the Finance Department in the planning of responsible and progressive financial operations. We would like to thank the Mayor and the City Council for their continued support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



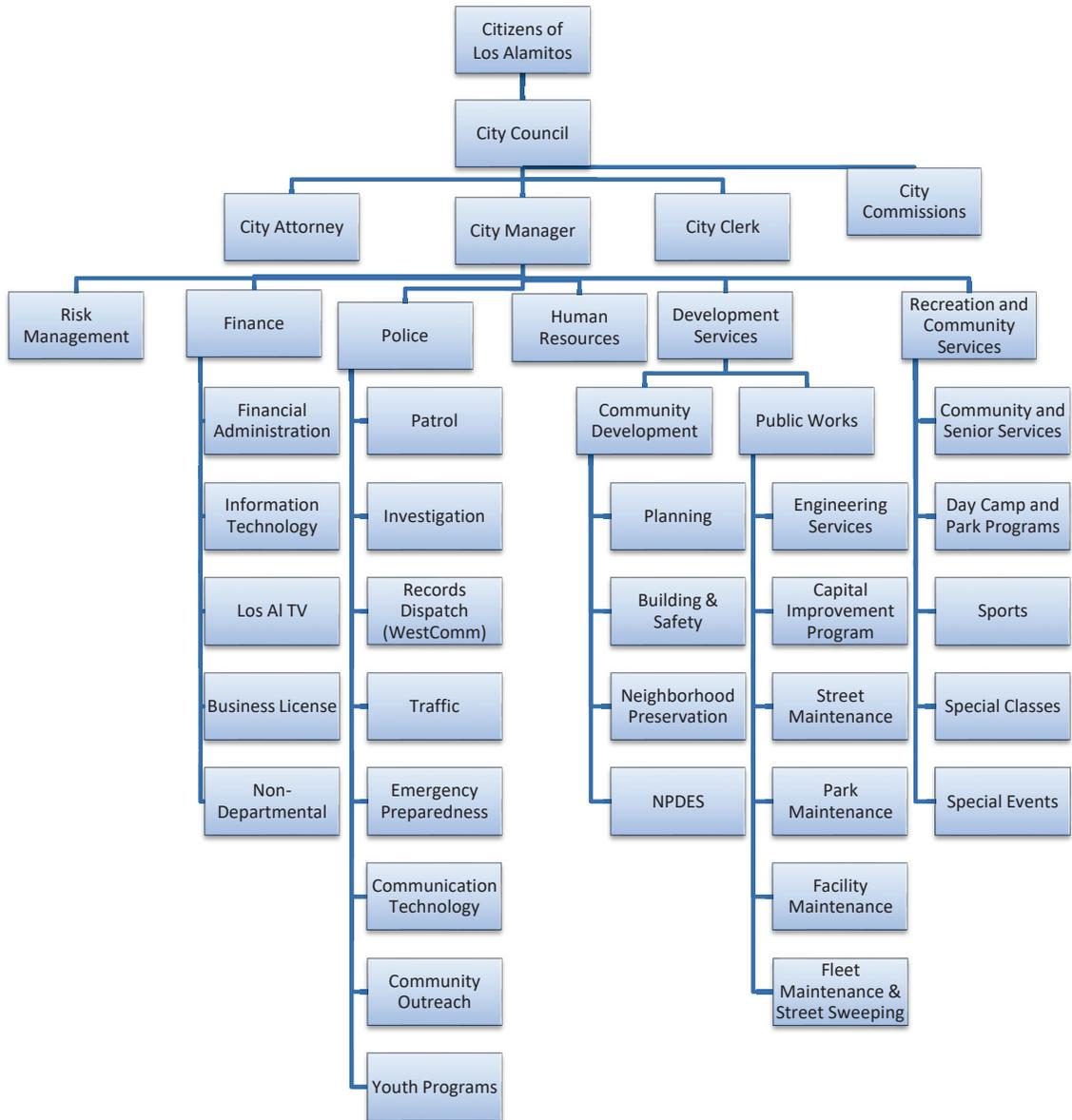
Les Johnson
Interim City Manager



Eric Hendrickson
Finance Director/City Treasurer

CITY OF LOS ALAMITOS

ORGANIZATIONAL CHART



CITY OF LOS ALAMITOS

DIRECTORY OF OFFICIALS (as of June 30, 2019)

CITY COUNCIL

Warren Kusumoto, Mayor
Richard D. Murphy, Mayor Pro Tem
Mark A. Chirco, Council Member
Dean Grose, Council Member
Shelley Hasselbrink, Council Member

APPOINTED OFFICIALS

Bret M. Plumlee, City Manager
Michael S. Daudt, City Attorney
Windmera Quintanar, City Clerk

EXECUTIVE MANAGEMENT

Eric R. Nunez, Chief of Police
Eric Hendrickson, Finance Director/City Treasurer
Les Johnson, Development Services Director
Emeline Noda, Manager of Recreation and Community Services
Ron Noda, Manager of Recreation and Community Services
Chelsi Wilson, Executive Assistant to the City Manager
Chris Karrer, Police Captain
Ron Roberts, Division Chief - Orange County Fire Authority



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Los Alamitos
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO





INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, 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 City of Los Alamitos, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

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 Los Alamitos, California, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City retained a qualified actuary to determine the total other post-employment benefits (OPEB) liability as of the measurement date as required by GASB Statement No. 75. The total OPEB liability is calculated by the actuary using estimates and actuarial techniques under actuarial standards of practice in the actuarial valuation as of June 30, 2018. The actuary applied Section 3.7.7(c)4 of Actuarial Standard of Practice No. 6, as revised, and determined that age-adjusted rates are not necessary and therefore, the implicit rate subsidy is not applicable in calculating the total projection of benefits payments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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



CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

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 24, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Solt & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
December 24, 2019





MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Los Alamitos ("City") offers readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that is provided in our letter of transmittal. The presentation of the City's financial data in this analysis and statements will differ from the City's budget, in that the analysis and statements are required to follow Governmental Accounting Standards Board Statement Number 34 and other Statements to allocate costs associated with capital related items, long-term debt transactions, accrued interest, compensated absences internal service fund activity, and depreciation to the various functions of the City; whereas the City's budget is an operational financial plan for the upcoming fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position is 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 distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, recreation and community services, and public works. The City has no business-type activities.

The Governmental Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting.

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 local governments, uses fund accounting to ensure and

demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains sixteen 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 Fund and the Traffic Improvement Fund, which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are used to account for activities where the City needs to show the full costs of providing the services, including depreciation. The City maintains five internal service funds.

The City uses internal service funds to account for its self-insured insurance programs, fleet of vehicles, equipment, technology upgrades and replacements and other capital related activities. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements. Internal service funds are presented as proprietary funds because internal service funds follow the accrual basis of accounting.

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

Combining statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes.

Government-wide Financial Analysis

Tables 1 and 2 focus on the net position and changes in net position of the City's governmental activities.

TABLE 1
Net Position

	Governmental Activities - June 30,	
	2018	2019
Current and other assets	\$ 11,819,927	\$ 13,106,630
Capital assets	19,042,829	18,941,430
Total assets	30,862,756	32,048,060
Deferred outflows of resources	5,571,455	4,906,900
Current liabilities	1,453,068	1,916,207
Noncurrent liabilities:		
Long-term liabilities	4,995,324	3,954,222
Net OPEB liability	4,517,345	4,712,480
Net pension liability	18,846,694	18,853,613
Total liabilities	29,812,431	29,436,522
Deferred inflows of resources	1,259,024	1,599,615
Net position:		
Net investment in capital assets	15,280,671	15,314,659
Restricted	761,141	1,350,083
Unrestricted	(10,679,056)	(10,745,919)
Total net position	\$ 5,362,756	\$ 5,918,823

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$5,918,823 as of June 30, 2019, an increase of \$556,067 from June 30, 2018.

The largest portion of the City's net position reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Unrestricted net position had a deficit balance of \$10.7 million as of June 30, 2019, which relates to the City's net pension liability and OPEB liability. The City has set-aside \$3.62 million for its unfunded pension liability and \$500,000 for its OPEB liability. However, since these funds are not held in an irrevocable trust the net pension liability has not been reduced to account for these funds that have been set-aside.

A condensed summary of activities for the period ended June 30, 2019 and the prior fiscal year is illustrated in Table 2 below.

TABLE 2
Changes in Net Position

	Governmental Activities - June 30,	
	2018	2019*
Revenues		
Program revenues:		
Charges for services	\$ 2,827,168	\$ 2,852,999
Operating contributions and grants	151,009	442,188
Capital contributions and grants	390,619	254,260
General revenues:		
Taxes:		
Property taxes	3,773,441	3,945,959
Utility users tax	2,033,871	1,967,627
Sales taxes	3,336,434	3,597,155
Franchise taxes	690,734	687,539
Business Licenses	647,433	684,310
Other taxes	596,100	717,207
Investment income	101,885	271,249
Gain on sale of property	18,590	-
Other	181,590	115,865
Total revenues	14,748,874	15,536,358
Expenses		
General government	3,516,839	3,135,018
Public safety	6,311,228	6,555,875
Community development	1,103,579	985,825
Recreation and community services	1,810,947	1,746,298
Public works	2,313,769	2,414,922
Interest on long-term debt	141,264	142,353
Total expenditures	15,197,626	14,980,291
Change in net position	(448,752)	556,067
Net position, beginning, as restated	5,811,508	5,362,756
Net position, ending	\$ 5,362,756	\$ 5,918,823

**Certain reclassifications have been made to prior year balances to conform with the current year's presentation and to account for the prior year restatement.*

Governmental Activities. Governmental activities increased the City’s net position by \$556,067 compared to a net decrease of \$448,752 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

Revenues:

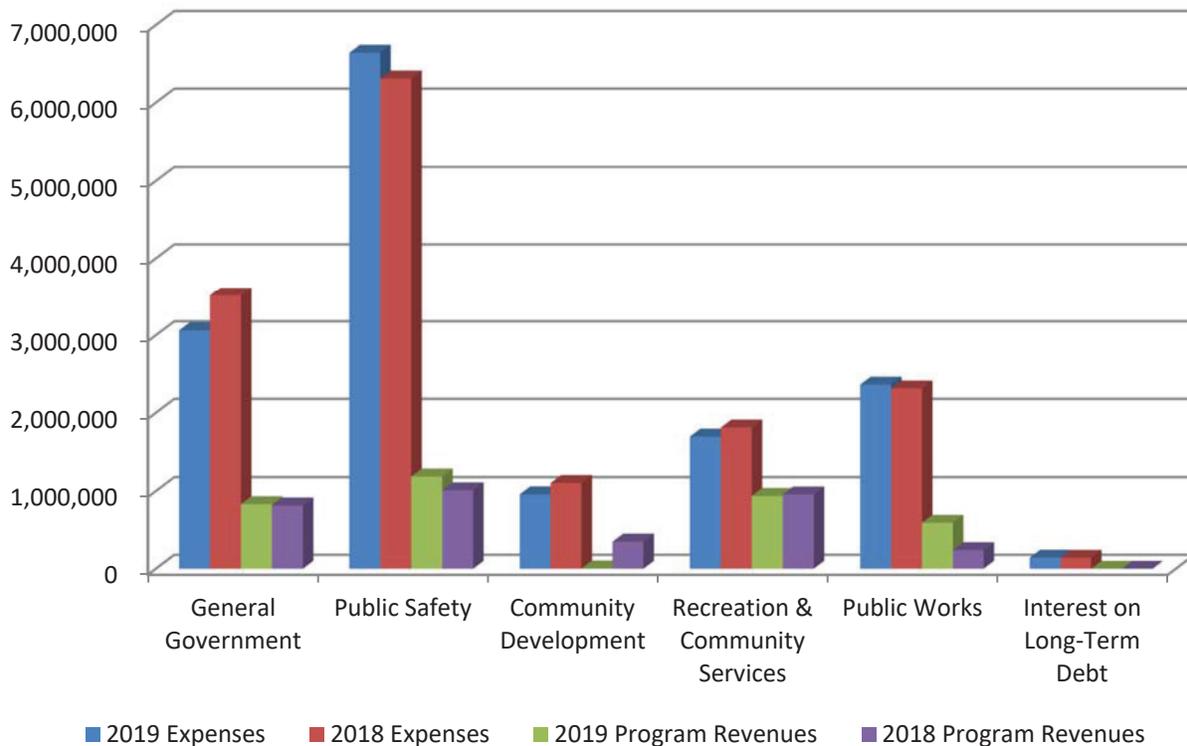
- While variances between years exist for the various revenue categories, the total net increase was \$787,484, which is largely attributable to the \$260,721 (7.8%) increase in sales tax. This was attributable to the continued strong growth in the economy. Additionally, the City received increased investment revenue, increased property tax revenue, and increases in other tax revenues.

Expenses:

- While variances between years exist for the various expense functions, the total net decrease was \$217,335, which is largely attributable to vacancies in staffing across various departments. Increased expenditures were recognized in Public Safety and Public Works. Decreased expenditures were enjoyed in General Government, Community Development, and Recreation.

Table 3 below presents the cost of each of the City’s six largest programs—general government, public safety, community development, recreation and community services, public works, and interest and fiscal charges—as well as their respective program revenues.

**TABLE 3
Expenses and Program Revenues**



See the Statement of Activities for further detail on program revenues and general revenues.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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, the City's governmental funds reported combined ending fund balance of \$10,115,880, an increase of \$1,497,241 (17 percent) from the prior fiscal year's balance. \$4,688,736 or 46% of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. \$1,179,744 or 12% of fund balance is restricted, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.

The fund balance of the City's General Fund increased by \$1,111,936 during the fiscal year compared to a \$174,097 increase in the prior year. The increase in the current year is primarily attributable to the increase in sales tax, investment income, property tax revenue, and lower expenditures due to staff vacancies.

The Traffic Improvement Capital Project Fund increased by \$22,422 during the fiscal year compared to a \$57,986 decrease in the prior year. This is primarily due to increased revenue from building permit fees.

Other governmental funds realized an increase in fund balance of \$362,883. While variances between years exist for the various nonmajor governmental funds, the net decrease was primarily attributable to a decrease in the Debt Service Fund, which is associated with paying down the debt for the 2015 Certificates of Participation.

General Fund Budgetary Highlights

Actual revenues were \$810,690 more than the final budgeted amount, which is primarily due to better than projected sales taxes, investment earnings, and property taxes. The expenditures for the General Fund at fiscal year-end were \$792,176 less than the final budgeted expenditures, which is primarily due to staffing vacancies across all departments.

Budget amendments and supplemental appropriations were made during the fiscal year which increased appropriations in the amount of approximately \$689,591. The increase in budgeted appropriations is primarily due to increase in transfers to internal service funds to capital funding for vehicle replacements, self-insurance and facility maintenance. Additionally, there was an increase costs in community development and public works departments, which is offset by the higher than expected increase in revenue for licenses and permits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of Fiscal Year 2018-19, the City had \$18.94 million invested in capital assets, including land, buildings, infrastructure, and equipment. This amount represents a net decrease of \$101,399, which is primarily due to the annual depreciation expense of these assets, thus reducing the ending value. There was \$359,940 in capital asset additions, which was offset by \$461,339 of depreciation expense.

TABLE 4
City of Los Alamitos Capital Assets Net of Depreciation

	Governmental Activities	
	2018	2019
Land	\$ 5,917,715	\$ 5,917,715
Buildings and Improvements	887,700	843,478
Equipment	395,052	365,410
Vehicles	267,372	176,285
Infrastructure	9,623,688	11,573,881
Construction in progress	1,951,302	64,661
Totals	<u>\$ 19,042,829</u>	<u>\$ 18,941,430</u>

More detail on the City's capital assets can be found in Note 5 to the financial statements of this report.

Long-term liabilities. At the end of fiscal year 2018-19, the City had \$4.56 million in long-term liabilities which includes outstanding bond indebtedness of \$3.475 million along with a capital lease, claims payable and compensated absences. The net decrease of \$310,874 over the prior year is due to debt payments made to the 2015 Certificates of Participation and the capital lease.

TABLE 5
City of Los Alamitos Long-Term Liabilities

	Governmental Activities	
	2018	2019
2015 Certificates of participation	\$ 3,545,000	\$ 3,475,000
Capital lease - police vehicles	204,339	137,467
Claims payable	602,699	573,499
Compensated absences	520,488	375,686
Total liabilities	<u>\$ 4,872,526</u>	<u>\$ 4,561,652</u>

More detail on the City's long-term liabilities can be found in Notes 6, 7, and 12 to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economic growth in the area continues to accelerate for another year. In Orange County especially, leading economic indicators such as employment, consumer confidence, housing and hotel occupancy remain strong. The City's unemployment rate is currently 3.0% compared to the state's unemployment rate of 4.2%. Real Gross Domestic Product (GDP) grew at an annual rate of 2.1% in 2019 and 3.5% in 2018 as the U.S. economy continues to show moderate and steady growth. Home values have also continued to increase in Los Alamitos, with an approximate 2% increase in net taxable assessed values. Interest rates remain very low, and inflation has stayed below 2%. Overall, the consensus seems to be continued gradual economic growth.

The City adopted a balanced budget for Fiscal Year 2019-20. The appropriations for all budgeted funds for Fiscal Year 2019-20 is \$18,204,291. The General Fund operating budgeted was balanced with operating revenues of \$14,429,965 and operating expenditures of \$14,429,965.

Every year the City strives to adopt a balanced budget, ensuring short-term spending and long-term goals are met. However, the City projects budgetary shortfalls in the near future. Rising pension costs, uncontrollable expenses related to state-mandates, and stagnating revenues are a few of the reasons for the projected shortfall. To combat this, the City has embarked on a Fiscal Sustainability plan to increase awareness of its financial condition. Community meetings, public outreach, and a statistical survey are underway, and the City will address this matter in the upcoming fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Los Alamitos citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to illustrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Services Department at the City of Los Alamitos, 3191 Katella Avenue, Los Alamitos, California, 90720, (562) 431-3538.

CITY OF LOS ALAMITOS, CALIFORNIA

STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
Assets:	
Cash and investments (Note 3)	\$ 11,685,080
Receivables:	
Accounts	538,916
Accrued interest	74,117
Due from employees	7,424
Due from other governments	750,061
Prepaid costs	50,007
Cash and investments - restricted (Note 3)	1,025
Capital assets, not being depreciated (Note 5)	5,982,376
Capital assets, net of depreciation (Note 5)	12,959,054
Total Assets	<u>32,048,060</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	103,094
Pension deferrals (Note 9)	4,803,806
Total Deferred Outflows of Resources	<u>4,906,900</u>
Liabilities:	
Accounts payable	555,382
Accrued liabilities	224,238
Accrued interest	36,721
Unearned revenue	328,782
Deposits payable	45,231
Compensated absences, due within one year (Note 6)	259,249
Bonds payable, due within one year (Note 7)	75,000
Capital leases, due within one year (Note 7)	68,105
Claims payable, due within one year (Note 12)	323,499
Noncurrent liabilities:	
Compensated absences (Note 6)	116,437
Bonds payable (Note 7)	3,518,423
Capital leases (Note 7)	69,362
Claims payable (Note 12)	250,000
Total other post-employment benefits liability (Note 10)	4,712,480
Net pension liability (Note 9)	18,853,613
Total Liabilities	<u>29,436,522</u>
Deferred Inflows of Resources:	
Pension deferrals (Note 9)	1,599,615
Total Deferred Inflows of Resources	<u>1,599,615</u>
Net Position:	
Net investment in capital assets	15,314,659
Restricted for:	
Cable television	78,281
Transportation	747,028
Public safety	241,257
Air quality	99,565
Parks	183,952
Unrestricted	(10,745,919)
Total Net Position	<u>\$ 5,918,823</u>

See Accompanying Notes to Financial Statements

CITY OF LOS ALAMITOS, CALIFORNIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenue and Changes in Net Position
Functions/Programs:					Governmental Activities
Governmental Activities:					
General government	\$ 3,134,764	\$ 830,942	\$ -	\$ -	\$ (2,303,822)
Public safety	6,555,558	915,532	271,849	-	(5,368,177)
Community development	985,825	2,548	-	-	(983,277)
Recreation and community services	1,745,536	937,385	-	-	(808,151)
Public works	2,416,255	166,592	170,339	254,260	(1,825,064)
Interest and fiscal charges	142,353	-	-	-	(142,353)
Total Governmental Activities	\$ 14,980,291	\$ 2,852,999	\$ 442,188	\$ 254,260	(11,430,844)

General Revenues:

Taxes:

Property taxes, levied for general purpose	3,945,959
Utility users taxes	1,967,627
Transient occupancy taxes	159,764
Sales taxes	3,597,155
Franchise taxes	687,539
Business licenses taxes	684,310
Other taxes	557,443
Investment earnings	271,249
Other	115,865

Total General Revenues 11,986,911

Change in Net Position 556,067

Net Position, Beginning of the Year 5,362,756

Net Position, End of the Year **\$ 5,918,823**

CITY OF LOS ALAMITOS, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Traffic Improvement</u>		
Assets:				
Cash and investments (Note 3)	\$ 8,606,005	\$ 178,238	\$ 1,159,936	\$ 9,944,179
Receivables:				
Accounts	505,467	-	11,184	516,651
Accrued interest	74,117	-	-	74,117
Due from employees	7,424	-	-	7,424
Due from other governments	653,839	-	96,222	750,061
Due from other funds (Note 4)	3,885	-	-	3,885
Prepaid costs	48,389	-	-	48,389
Cash and investments - restricted (Note 3)	-	-	174	174
Total Assets	\$ 9,899,126	\$ 178,238	\$ 1,267,516	\$ 11,344,880
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ 428,606	\$ -	\$ 27,919	\$ 456,525
Accrued liabilities	224,238	-	-	224,238
Unearned revenues	192,003	136,779	-	328,782
Deposits payable	43,322	-	1,909	45,231
Due to other funds (Note 4)	-	-	3,885	3,885
Total Liabilities	888,169	136,779	33,713	1,058,661
Deferred Inflows of Resources:				
Unavailable revenues	170,339	-	-	170,339
Total Deferred Inflows of Resources	170,339	-	-	170,339
Fund Balance:				
Nonspendable:				
Prepaid costs	48,389	-	-	48,389
Employee loans	7,424	-	-	7,424
Restricted:				
Cable television	-	-	78,281	78,281
Transportation	-	41,459	535,230	576,689
Public safety	-	-	241,257	241,257
Air quality	-	-	99,565	99,565
Parks	-	-	183,952	183,952
Committed:				
Capital projects	-	-	117	117
Emergencies	3,607,491	-	-	3,607,491
Assigned:				
Other post-employment benefits	500,000	-	-	500,000
PERS reserves	3,620,000	-	-	3,620,000
Capital projects	-	-	99,286	99,286
Development Projects	469,450	-	-	469,450
Unassigned	587,864	-	(3,885)	583,979
Total Fund Balance	8,840,618	41,459	1,233,803	10,115,880
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 9,899,126	\$ 178,238	\$ 1,267,516	\$ 11,344,880

See Accompanying Notes to Financial Statements

CITY OF LOS ALAMITOS, CALIFORNIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Total fund balance - governmental funds		\$ 10,115,880
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is net of the internal service funds' capital assets of \$617,231.		18,324,199
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds. The following is net of the internal service funds' long-term liabilities of \$460,966.		
Compensated absences	\$ (375,686)	
Bonds payable	(3,593,423)	
Claims payable	(250,000)	
Other post-employment benefits liability	(4,712,480)	
Net pension liability	<u>(18,853,613)</u>	(27,785,202)
The deferred charge on refunding is not a financial resource and, therefore, is not reported in the funds.		103,094
Accrued interest on long-term debt does not require current financial resources. Therefore, accrued interest is not reported as a liability in the governmental funds' balance sheet.		(34,192)
Deferred outflows of resources for pensions and other post-employment benefits are not available resources and, therefore, are not reported in the funds.		
Pension plan contributions subsequent to the measurement date	1,634,419	
Changes in actuarial assumptions for pension plans	1,992,836	
Differences between expected and actual experiences in pension plans	557,032	
Net difference between expected and actual earnings on pension plan investments	111,207	
Adjustments due to differences in proportions for pension plans	<u>508,312</u>	4,803,806
Deferred inflows of resources for pensions and other post-employment benefits do not require current financial resources. Therefore, they are not reported in the funds.		
Changes in actuarial assumptions for pension plans	(381,897)	
Differences between expected and actual experiences in pension plans	(118,312)	
Adjustments due to differences in proportions for pension plans	(298,238)	
Differences in the proportionate share contributions	<u>(801,168)</u>	(1,599,615)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, on the accrual basis, they are included as revenue in the government-wide statements.		170,339
Internal service funds are used by management to charge garage costs; technology replacement costs; police capital expenditures; facilities, streets, parks, and pool capital expenditures; and self-insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>1,820,514</u>
Net Position of Governmental Activities		<u>\$ 5,918,823</u>

CITY OF LOS ALAMITOS, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Projects Fund			Total Governmental Funds
	General	Traffic Improvement	Nonmajor Governmental Funds	
Revenues:				
Taxes	\$ 11,016,039	\$ -	\$ 583,758	\$ 11,599,797
Licenses and permits	830,942	-	-	830,942
Intergovernmental	128,796	-	165,002	293,798
Charges for services	954,139	19,060	147,532	1,120,731
Investment earnings	244,623	3,705	22,921	271,249
Fines and forfeitures	882,257	-	18,201	900,458
Program revenues	-	-	233,179	233,179
Miscellaneous	109,064	-	6,801	115,865
Total Revenues	14,165,860	22,765	1,177,394	15,366,019
Expenditures:				
Current:				
General government	2,252,878	-	46,619	2,299,497
Public safety	5,886,413	-	-	5,886,413
Community development	928,515	-	-	928,515
Recreation and community services	1,589,783	-	-	1,589,783
Public works	1,894,704	343	168,231	2,063,278
Capital outlay	128,084	-	204,076	332,160
Debt service:				
Principal retirement	-	-	70,000	70,000
Interest and fiscal charges	-	-	138,794	138,794
Total Expenditures	12,680,377	343	627,720	13,308,440
Excess of Revenues over Expenditures	1,485,483	22,422	549,674	2,057,579
Other Financing Sources (Uses):				
Transfers in (Note 4)	391,791	-	205,000	596,791
Transfers out (Note 4)	(765,338)	-	(391,791)	(1,157,129)
Total Other Financing Sources (Uses)	(373,547)	-	(186,791)	(560,338)
Net Change in Fund Balances	1,111,936	22,422	362,883	1,497,241
Fund Balance, Beginning of the Year	7,728,682	19,037	870,920	8,618,639
Fund Balance, End of the Year	\$ 8,840,618	\$ 41,459	\$ 1,233,803	\$ 10,115,880

CITY OF LOS ALAMITOS, CALIFORNIA

**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**

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

Net Change in Fund Balances - total governmental funds		\$ 1,497,241
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital outlay	\$ 332,160	
Other maintenance activities included in capital outlay above	(7,810)	
Depreciation expense (net of internal service funds of \$110,752)	<u>(350,587)</u>	(26,237)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		170,339
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is net the internal service funds' repayments on long-term debt of \$68,872.</p>		
Principal repayment on bonds	70,000	
Amortization of bond premium	4,375	
Amortization of deferred charge on refunding	<u>(5,745)</u>	68,630
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest on long-term debt	350	
Change in compensated absences	144,802	
Pension expense	(1,006,320)	
Other post-employment benefits expense	<u>(195,135)</u>	(1,056,303)
<p>The internal service funds are used by management to charge garage costs; technology replacement costs; police capital expenditures; facilities, streets, parks, and pool capital expenditures; and self-insurance costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		<u>(97,603)</u>
Change in Net Position of Governmental Activities		<u><u>\$ 556,067</u></u>

CITY OF LOS ALAMITOS, CALIFORNIA

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2019

	<u>Governmental Activities- Internal Service Funds</u>
Assets:	
Current:	
Cash and investments (Note 3)	\$ 1,740,901
Accounts receivable	22,265
Prepaid costs	1,618
Cash and investments - restricted (Note 3)	851
Total Current Assets	<u>1,765,635</u>
Noncurrent:	
Capital assets - net of accumulated depreciation (Note 5)	617,231
Total Noncurrent Assets	<u>617,231</u>
Total Assets	<u>2,382,866</u>
Liabilities:	
Current:	
Accounts payable	98,857
Accrued interest	2,529
Accrued claims and judgments	323,499
Capital leases (Note 7)	68,105
Total Current Liabilities	<u>492,990</u>
Noncurrent:	
Capital leases (Note 7)	69,362
Total Noncurrent Liabilities	<u>69,362</u>
Total Liabilities	<u>562,352</u>
Net Position:	
Net investment in capital assets	480,615
Unrestricted	1,339,899
Total Net Position	<u>\$ 1,820,514</u>

CITY OF LOS ALAMITOS, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Activities- Internal Service Funds</u>
Operating Revenues:	
Charges for services:	
Garage	\$ 304,026
Technology replacement	143,762
Miscellaneous	38,578
Total Operating Revenues	<u>486,366</u>
Operating Expenses:	
Personnel services	13,885
Supplies and materials	161,123
Outside services	130,188
Claims expense	725,820
Depreciation expense	110,752
Total Operating Expenses	<u>1,141,768</u>
Operating Loss	<u>(655,402)</u>
Nonoperating Revenues (Expenses):	
Interest expense	<u>(2,539)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,539)</u>
Loss Before Transfers	(657,941)
Transfers in (Note 4)	<u>560,338</u>
Change in Net Position	(97,603)
Net Position, Beginning of the Year	<u>1,918,117</u>
Net Position, End of the Year	<u>\$ 1,820,514</u>

CITY OF LOS ALAMITOS, CALIFORNIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

	Activities- Internal Service Funds
Cash Flows from Operating Activities:	
Receipts from interfund charges for garage services	\$ 304,026
Receipts from interfund charges for technology replacement services	143,762
Payments to suppliers and service providers	(291,916)
Payments to employees for salaries and benefits	(13,885)
Cash received from (payments to) others	(662,507)
Net Cash Provided Used for Operating Activities	(520,520)
Cash Flows from Noncapital Financing Activities:	
Transfers from other funds	560,338
Net Cash Provided by Noncapital Financing Activities	560,338
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(35,590)
Principal paid on capital debt	(66,872)
Interest paid on capital debt	(3,769)
Net Cash Used for Capital and Related Financing Activities	(106,231)
Net Decrease in Cash and Cash Equivalents	(66,413)
Cash and Cash Equivalents, July 1 (including \$851 reported in restricted accounts)	1,808,165
Cash and Cash Equivalents at End of Year (including \$851 reported in restricted accounts)	\$ 1,741,752
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	\$ (655,402)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	110,752
(Increase) in accounts receivable	(22,265)
Decrease in prepaid expense	11,776
Increase in accounts payable	63,819
(Decrease) in claims and judgments	(29,200)
Total Adjustments	134,882
Net Cash Used for Operating Activities	\$ (520,520)



I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

The accounting policies of the City of Los Alamitos, California (the City), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB). The most significant accounting policies are described below.

a. Description of Reporting Entity

The City was incorporated March 1, 1960. The Charter of the City of Los Alamitos was adopted by a vote of the people in September 1966, and the City enjoys all rights and privileges pertaining to such "Charter Law" cities.

The financial statements include the financial activities of the City, the primary government, and its blended component unit, the Los Alamitos Public Financing Corporation (the Corporation). The component unit, discussed below, is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. This entity is legally separate from the City. However, the City's elected officials have continuing accountability for fiscal matters of this entity.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

Blended Component Unit – The Los Alamitos Public Facilities Corporation

The Corporation was formed February 6, 2006, pursuant to the Non-Profit Corporation Law of the State of California for the purpose of assisting the City in financing the acquisition, construction and improvement for public benefit within the City limits. The Corporation is governed by a five-member board that is the City Council of the City of Los Alamitos. Separate financial statements are not prepared.

b. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including the Statement of Net Position and the Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the City and the Corporation. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the governmental activities of the City and its component unit, and the Statement of Activities reports expenses of each specific governmental function, offset by program revenues attributable to each functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues that are attributable to functional programs are separated into three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Charges for services report fees and other charges to users of the City's services, operating grants and contributions finance annual operating activities and can include restricted investment income, and capital grants and contributions fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restriction to these program uses. Other revenues sources not included with program revenues are reported as general revenues of the City. These can include taxes or unrestricted investment income.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses as appropriate. The City uses two categories of funds: governmental and proprietary.

The City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. Individual governmental fund identified as being Major, as prescribed by governmental accounting standards or by Management of the City, are reported in separate columns on the financial statements.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balance of the current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and its liabilities and deferred inflows of resources as fund balance.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and other governmental funds aggregated. Accompanying reconciliations are presented to explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34 or are elected by Management of the City based on Management's belief that the presentation of the funds are particularly important to financial statement users for reasons including public interest or consistency of reporting. The City reports the following major governmental funds:

- The **General Fund** is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.
- The **Traffic Improvement Fund** is used to account for the costs associated with capital projects for traffic improvement.

Additionally, the City reports the following fund types:

- The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than for debt service or capital projects) that are restricted by law or administrative action or committed to expenditures for specified purposes.
- The **Capital Projects Funds** are used to account for and report financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities, other than those financed by Internal Service Funds.
- The **Debt Service Fund** is used to account for and report financial resources that are restricted, committed, or assigned for the payment of, long-term debt principal, interest, and related costs for the 2006 Certificates of Participation (Laurel Park Acquisition).

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The reporting focus on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary funds are classified as internal service funds.

- The **Internal Service Funds** are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments. The City's internal service funds are used to account for its self-insured insurance programs, fleet of vehicles, equipment, technology upgrades, and replacements and other capital related activities.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

c. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All internal balances and transactions have been eliminated from their respective statements to avoid over reporting relating assets, liabilities, revenues and expenses, except for internal service fund charges provided and used.

Fund Financial Statements

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

Like the government-wide statements, all proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

d. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue – Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the availability is defined within 60 days of year-end.

Revenue – Non-Exchange Transactions

Non-exchange transactions in which the City receives value without directly giving equal value in return, includes sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Major revenue sources susceptible to accrual include property tax, sales tax, utility users tax, franchise Tax, and licenses. On a modified accrual basis, revenue from non-exchange transaction also must be available (generally 60 days after year-end) before it can be recognized in the governmental funds. However, the City has adopted a 12-month recognition period for grant revenues.

Unavailable Revenue

Unavailable revenue, presented under deferred inflows of resources, arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods when both revenue recognition criteria are met, the deferred inflow is removed from the balance sheet and revenue is recognized.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria listed above have been satisfied. In subsequent periods when the government has a legal claim to the resources, the unearned revenue is removed from the balance sheet and revenue is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

e. Cash, Cash Equivalents and Investments

Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

Investments Valuation

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

State Investment Pool

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

Cash Equivalents and Cash Flows

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

f. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

Advances between funds, as reported in the fund financial statements, are presented as nonspendable in fund balances to indicate that they are not in a spendable form.

g. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expenditure/ expense when consumed.

h. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial 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 in excess of two years, except for computer software and hardware and infrastructure assets which have a capitalization threshold of \$20,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

As permitted under GASB Statement No. 34 for small governmental entities, the City has elected to report infrastructure assets prospectively beginning July 1, 2003.

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.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Equipment	5 - 10 years
Vehicles	4 - 15 years
Furniture	7 years
Buildings	50 years
Improvements	5 - 20 years
Infrastructure	50 years

i. Compensated Absences Payable

Under certain circumstances and according to the negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is accrued in the government-wide and proprietary fund statements. Refer to Note 6 for additional information.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

j. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, debt issuance costs except for any portion related to prepaid insurance were recognized as expense in the period incurred.

k. Claims and Judgments

The City records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired, or a liability has been incurred prior to fiscal year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

The City is exposed to various risks of losses related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred, but not reported.

It is the City's policy to liquidate claims and judgments existing at June 30, with future resources. Accordingly, the liabilities are recorded in the Statement of Net Position. These noncurrent amounts will be recorded as fund expenditures in the fiscal year in which they are paid or become due on demand.

l. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position and the governmental funds balance sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items which qualify for reporting in this category.

Deferred pension related items relate to the net pension obligation reported in the statement of net position. These outflows are the results of *contributions made after the measurement date*, which are recognized in the following year, and consist of *adjustments due to differences in proportions, changes in assumptions, and differences between expected and actual experiences*, which are deferred and amortized over the expected average remaining life time. Additionally, the *net difference between projected and actual earnings on pension plan investments* is reported and amortized over 5 years. Deferred outflows from changes in net pension liability arise only under a full accrual basis of accounting and are reported in the government-wide Statement of Net Position and proprietary funds Statement of Net Position.

The City also reports a *deferred charge on refunding* which results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunded or refunding debt.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statements of net position and the 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which qualifies for reporting in this category. The first item is in relation to the net pension obligation reported in the statement of net position. These inflows are the results of *changes of assumptions, differences between expected and actual experiences, adjustments due to differences in proportions, and differences between proportionate share of contributions and actual contributions*. Inflows from changes in net pension liability arise only under a full accrual basis of accounting and are reported in the government-wide Statement of Net Position and proprietary funds Statement of Net Position

The City also reports one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds' balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

m. Net Position

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 34. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

- ***Net Investment in Capital Assets*** – the portion of net position that is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.
- ***Restricted*** – the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions, which the City cannot unilaterally alter. These principally include funds restricted to community development projects purposes and funds for use in building improvements and governmental grants.
- ***Unrestricted*** – the portion of net position that is not restricted as to use.

n. Net Position Flow Assumptions

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 policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

o. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** – the portion of a fund balance that includes amounts that cannot be spent because they are either not in a spendable form, such as prepaid items, inventories, or loans receivable.
- **Restricted** – the portion of a fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments); or (b) imposed by law through constitutional provisions or enabling legislation. Examples of restricted fund balances include Gas Tax, Asset Seizure, and Measure M funds.
- **Committed** – the portion of a fund balance that included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority and remain binding unless removed in the same manner.
 - a. The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a resolution.
 - b. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment.
 - c. City Council action to commit fund balance needs to occur within the fiscal reporting periods; however, the amount can be determined subsequently.
- **Assigned** – amounts that are constrained by the City's intent to be used for specific purposes, but are neither Restricted nor Committed, should be reported as Assigned fund balance. This policy hereby delegated the authority to assign amounts to be used for specific purposes to the City Manager for the purpose of reporting these amounts in the City's annual financial statements. Examples of assigned fund balance are funds intended for Capital Improvement Projects and Equipment Replacement.
- **Unassigned** – residual net resources in excess of what can properly be classified in one of the other four categories and do not have any specific spending limitations. The General Fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds, other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, the City reports a negative unassigned fund balance in that fund.

In July 2017, City Council established a Reserve for Emergencies to be maintained at 25% of General Fund appropriations. The reserve is only to be used, with council approval, in the case of a declared natural disaster or financial emergency. A financial emergency is considered when annual revenues decrease by 5% or more or when annual expenditures increase by 5% or more.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

p. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

q. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	June 30, 2017 to June 30, 2018

r. Other Post-Employment Benefits (OPEB)

For purposes of measuring the other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

s. Property Taxes

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.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes are assessed, collected and allocated by Orange County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1st installment, February 1, 2nd installment
Delinquent Dates	December 11, 1st installment, April 11, 2nd installment

Property taxes receivable for the governmental fund types, which have been remitted within 60 days subsequent to year end, are considered measurable and available and recognized as revenues. All other property taxes are offset by deferred property tax inflows of resources and, accordingly, have not been recorded as revenue. Taxes are considered past due on the above delinquent dates, at which time the applicable property is subject to lien, and penalties and interest are assessed.

t. Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

- **General government** – includes legislative activities, which have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.
- **Public safety** – includes those activities that involve the protection of people and property.
- **Community development** – includes those activities such as planning, code enforcement, and building and safety inspections.
- **Recreation and community services** – includes those activities that involve the community cultural and leisure activities.
- **Public works** – includes those activities that involve the maintenance and improvement of City streets, roads, and park development and maintenance.
- **Capital outlay** – includes purchases of property, plant and equipment which are expensed in the governmental funds because governmental funds use the current financial resources measurement focus.
- **Principal retirement** – includes principal payments for long-term liabilities.
- **Interest and fiscal charges** – includes current payments for interest on the City's long-term debt.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Summary of Significant Accounting Policies (Continued)

u. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 2: Stewardship, Compliance, and Accountability

a. Violations of Legal or Contractual Provisions

Note 2 to Required Supplementary Information, on the Excess of Expenditures over Appropriations, describes budgetary violations that occurred in the General Fund for the year ended June 30, 2019.

b. Deficit Fund Balance

At June 30, 2019, the Community Development Block Grant (CDBG) nonmajor special revenue fund reported a deficit fund balance of \$3,885. The deficit is due to the timing of the receipt of CDBG program reimbursements for expenditures incurred. The deficit will be eliminated as the program reimbursements are received from the grantor agency.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR FISCAL YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Note 3: Cash and Investments

a. Summary of Cash and Investments

At June 30, 2019, the City reported \$11,685,080 in unrestricted cash and investments and \$1,025 in restricted cash and investments held with fiscal agents for a total cash and investment balance of \$11,686,105. Total cash and investments consisted of the following:

Cash on hand	\$ 13,344
Demand deposits	798,679
Investments	<u>10,874,082</u>
Total Cash and Investments	<u>\$ 11,686,105</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

b. Cash Deposits

The carrying amounts of the City's cash deposits were \$798,679 at June 30, 2019. Bank balances before reconciling items were \$1,139,650 at that date. The difference of \$340,971 represents outstanding checks, cash deposits in transit, and other reconciling items.

All City's cash and investments as of June 30, 2019, were collateralized or insured with securities held by pledging financial institutions in the City's name. The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (Continued)

c. Investments

The following table identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where 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 bond trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
United States (U.S.) Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Certificates of Deposit	5 years	None	\$250,000
Negotiable Certificates of Deposit	5 years	30%	30%
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million

* Excludes amounts held by bond trustees that are not subject to California Government Code restrictions.

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	30 years	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Money Market Mutual Funds	None	None	None
Investment Agreements	None	None	None
Local Agency Bonds	None	None	None
Medium Term Notes	5 years	30%	None
Negotiable Certificates for Deposits	None	30%	None
Local Agency Investment Fund (LAIF)	None	None	None

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (Continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF does not impose limits or restrictions on participant withdrawals, and the entire balance of the City's investment in the portfolio is available for withdrawal at any time. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value. Accordingly, the City's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

d. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	12 months to 36 months	36 month to 60 months	
Federal Agency Securities	\$ -	\$ 996,368	\$ -	\$ 996,368
Certificates of Deposit	1,232,231	494,000	1,232,000	2,958,231
Local Agency Investment Fund (LAIF)	6,918,458	-	-	6,918,458
Investment held by Bond Trustee:				
Money Market Mutual Funds	1,025	-	-	1,025
Total	\$ 8,151,714	\$ 1,490,368	\$ 1,232,000	\$ 10,874,082

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Totals	Minimum Legal Rating	Ratings at End of Year		
			Not Rated	AAA	AA+
Federal Agency Securities	\$ 996,368	N/A	\$ -	\$ 996,368	\$ -
Certificates of Deposit	2,958,231	N/A	2,958,231	-	-
Local Agency Investment Fund (LAIF)	6,918,458	Not Rated	6,918,458	-	-
Investments held by Bond Trustee:					
Money Market Mutual Funds	1,025	N/A	-	-	1,025
Totals	\$ 10,874,082		\$ 9,876,689	\$ 996,368	\$ 1,025

N/A - Not Applicable

Concentration of Credit Risk

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. As of June 30, 2019, in accordance with GASB Statement No. 40 requirements, the City is exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. As of June 30, 2019, the City's investment of \$746,607 in the Federal National Mortgage Association, a Federal Agency security, represents 6.9% of total City investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's investment policy does not contain any additional provisions that would limit the exposure to custodial credit risk for deposits. However, the policy does stipulate that mortgage collateral cannot be used to secure deposits, and that the use of a third-party bank trust department is to act as the City's safekeeping agent for investments. At June 30, 2019, City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 3: Cash and Investments (Continued)

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investments	Totals	Level		
		1	2	Uncategorized
Federal Agency Securities	\$ 996,368	\$ -	\$ 996,368	\$ -
Certificates of Deposit	2,958,231	-	2,958,231	-
Local Agency Investment Fund (LAIF)	6,918,458	-	-	6,918,458
Investment Held by Fiscal Agent				
Money Market Funds	1,025	1,025	-	-
Totals	<u>\$ 10,874,082</u>	<u>\$ 1,025</u>	<u>\$ 3,954,599</u>	<u>\$ 6,918,458</u>

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Federal Agency Securities classified in Level 2 of the fair value hierarchy are valued using institutional bond quotes.

Note 4: Interfund Transactions

a. Receivables/Payables

The purpose of the interfund transactions is to make short-term interfund loans from the General Fund to nonmajor governmental funds. These interfund loans are to provide for negative cash balances at year-end and/or operating cash flow. Due to/from amounts are short-term financing, which are paid within one year.

Due to/from Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	<u>\$ 3,885</u>

b. Transfers In/Out

Transfers to and from funds for the fiscal year ended June 30, 2019, are as follows:

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 391,791	\$ 391,791
Nonmajor Governmental Funds	205,000	-	205,000
Internal Service Funds	560,338	-	560,338
Total	<u>\$ 765,338</u>	<u>\$ 391,791</u>	<u>\$ 1,157,129</u>

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 4: Interfund Transactions (Continued)

Transfers to the General Fund from the Nonmajor Governmental Funds were made to fund street maintenance, partially offset the cost of police services, and to partially offset the cost of the Police Department motor officer program and other costs pertaining to traffic safety programs.

Transfers to the Other Governmental Funds from the General Fund were made to make principal and interest payments of debt issued for the Laurel Park purchase.

Transfers to the Internal Services Funds from the General Fund were made to set aside fund for claim reserves, in case of any future incidents

Note 5: Capital Assets

A summary of changes in the Governmental Activities capital assets for the fiscal year ended June 30, 2019, are as follows:

Governmental Activities:	Balance June 30, 2018	Construction in Progress Completed	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 5,917,715	\$ -	\$ -	\$ -	\$ 5,917,715
Construction in progress	1,951,302	(2,203,979)	317,338	-	64,661
Total capital assets not being depreciated	<u>7,869,017</u>	<u>(2,203,979)</u>	<u>317,338</u>	<u>-</u>	<u>5,982,376</u>
Depreciable capital assets:					
Equipment	1,254,174	-	35,590	-	1,289,764
Vehicles	1,136,178	-	-	-	1,136,178
Buildings	1,928,998	-	-	-	1,928,998
Improvements	366,268	-	-	-	366,268
Infrastructure	11,618,748	2,203,979	7,012	-	13,829,739
Total capital assets being depreciated	<u>16,304,366</u>	<u>2,203,979</u>	<u>42,602</u>	<u>-</u>	<u>18,550,947</u>
Less: accumulated depreciation for:					
Equipment	(859,122)	-	(65,232)	-	(924,354)
Vehicles	(868,806)	-	(91,087)	-	(959,893)
Buildings	(1,215,792)	-	(29,690)	-	(1,245,482)
Improvements	(191,774)	-	(14,532)	-	(206,306)
Infrastructure	(1,995,060)	-	(260,798)	-	(2,255,858)
Total accumulated depreciation	<u>(5,130,554)</u>	<u>-</u>	<u>(461,339)</u>	<u>-</u>	<u>(5,591,893)</u>
Total capital assets, being depreciated, net	<u>11,173,812</u>	<u>2,203,979</u>	<u>(418,737)</u>	<u>-</u>	<u>12,959,054</u>
Government activities capital assets, net	<u>\$ 19,042,829</u>	<u>\$ -</u>	<u>\$ (101,399)</u>	<u>\$ -</u>	<u>\$ 18,941,430</u>

Depreciation expense was charged to governmental activities as follows:

	General	Internal Service	Total
General Government	\$ 18,212	\$ -	\$ 18,212
Public Safety	22,766	-	22,766
Recreation and Community Services	54,637	-	54,637
Public Works	254,972	-	254,972
Internal Service Fund	-	110,752	110,752
Totals	<u>\$ 350,587</u>	<u>\$ 110,752</u>	<u>\$ 461,339</u>

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 6: Compensated Absences

The following is a summary of changes in compensated absences for the fiscal year ended June 30, 2019:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
\$ 520,488	\$ 202,552	\$ 347,354	\$ 375,686	\$ 259,249

There is no repayment schedule for compensated absences. Employee leave benefits are payable to employees upon usage or termination. The City's policies relating to the payment of these benefits are discussed in Note 1. The liability for compensated absences is typically liquidated through the General Fund.

Note 7: Long-Term Debt

The following is a summary of changes in Governmental Activities long-term debt for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Public Offerings:					
2015 Certificates of Participation	\$ 3,545,000	\$ -	\$ 70,000	\$ 3,475,000	\$ 75,000
Unamortized bond premium	122,798	-	4,375	118,423	-
Total Public Offerings	\$ 3,667,798	\$ -	\$ 74,375	\$ 3,593,423	\$ 75,000
Other Long-term Liabilities:					
Capital Lease - Police Vehicle	\$ 204,339	\$ -	\$ 66,872	\$ 137,467	\$ 68,105

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 7: Long-Term Debt (Continued)

a. 2015 Certificates of Participation

On September 1, 2015, the City issued the 2015 Certificates of Participation in the amount of \$3,685,000, as a public offering, to refund the outstanding balance of the 2006 (Laurel Park Acquisition) Certificates of Participation in an advanced refunding transaction, and to finance the design, acquisition, and construction of certain capital improvement projects. There are no finance-related consequences related to significant events of default or termination, and there are no acceleration clauses. There are no assets pledged as collateral, no required reserve, and no unused lines of credit. Interest on the bonds is payable semiannually on October 1 and April 1, commencing April 1, 2016, at rates which range from 2.00% to 5.00%. Principal payments begin October 1, 2017 and continue October 1 of each year through October 1, 2045. The outstanding balance as of June 30, 2019 is \$3,475,000. The annual debt service requirements on these bonds are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2020	\$ 75,000	\$ 135,269	\$ 210,269
2021	75,000	132,269	207,269
2022	80,000	129,169	209,169
2023	85,000	125,444	210,444
2024	85,000	121,194	206,194
2025-2029	500,000	539,594	1,039,594
2030-2034	595,000	444,653	1,039,653
2035-2039	710,000	327,275	1,037,275
2040-2044	870,000	170,000	1,040,000
2045-2046	400,000	16,200	416,200
Totals	<u>\$ 3,475,000</u>	<u>\$ 2,141,067</u>	<u>\$ 5,616,067</u>

b. Capital Lease – Police Vehicles

In July 2016, the City entered into a lease purchase agreement in the amount of \$270,000 with Wells Fargo Equipment Finance, Inc. for the financing of seven police vehicles. The capital lease requires annual debt service payments of \$70,641 over a four-year term at an interest rate of 1.8446%. The vehicles acquired under the lease have been recorded in the Internal Service Funds. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year Ending June 30	Governmental Activities
2020	\$ 70,641
2021	70,641
Total minimum lease payments	141,282
Less: amount representing interest	(3,815)
Present value of minimum lease payments	<u>\$ 137,467</u>

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 8: Defined Contribution Plan

The City provides pension benefits for all of its part time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the City's 457 plan. Federal legislation requires contributions of at least 7.5% of the employees' salary. For the fiscal year ended June 30, 2019, the City contributed \$27,467. City employees are invested immediately. City Council has the authority to establish and amend the provisions of this plan.

Note 9: Defined Benefit Pension Plans

a. Plan Description

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

b. 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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 each plan are applied as specified by the Public Employees' Retirement Law.

The City has a multiple tier retirement plan with benefits varying by plan for both miscellaneous and safety employees hired on or before specific dates as follows:

Safety Employees

- **Legacy POA Employees** – The retirement formula is 3% at age 50 for safety employees covered under the Los Alamitos Police Officers' Association (POA) that were hired on or before December 31, 2012. The employee is responsible for the employee share (9%).
- **Non-Represented Safety Employees** – The retirement formula for Non-Represented Safety Employees hired on or before December 31, 2012 is 3% at age 50. The employee is responsible for the employee share (9%).
- **Safety PEPRA Employees** – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013. The employee must pay one-half (1/2) of the normal cost of the benefit. The normal cost is currently 23.49% - one-half of which is 11.745%, which is paid by the employee.

Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 9: Defined Benefit Pension Plans (Continued)

Miscellaneous Employees

- **Legacy CEA Employees** – The retirement formula is 2.7% at age 55 for miscellaneous employees covered under the Los Alamitos City Employees Association (CEA) hired on or before December 31, 2012. The employee is responsible for the employee share (8%).
- **Non-Represented Miscellaneous Employees** – The retirement formula for Non-Represented Miscellaneous Employees hired on or before December 31, 2012 is 2.7% at age 55. The employee is responsible for the employee share (8%) with the exception of the City Manager whereby the City pays the employee share (8%).
- **Miscellaneous PEPRA Employees** – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013. The employee must pay one-half (1/2) of the normal cost of the benefit. The normal cost is currently 12.783% - one-half of which is 6.3915%, which is paid by the employee.

Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Additionally, the City is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2018-2019 are as follows:

	<u>Employer Rates</u>
Classic Miscellaneous Members	12.212%
PEPRA Miscellaneous Members	6.842%
Classic Safety Members	20.556%
PEPRA Safety Members	12.141%

The employer rate for each plan does not include the additional City payment made towards the unfunded pension liability. Payment towards the unfunded liability for the fiscal year ended June 30, 2019 was \$1,454,805.

c. Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer 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 contribution requirements are classified as plan member contributions.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 9: Defined Benefit Pension Plans (Continued)

For the year ended June 30, 2019, the contributions recognized as a reduction to the net pension liability for the miscellaneous and safety plans was \$607,715 and \$847,090, respectively.

d. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2017 valuations were rolled forward to determine the June 30, 2018 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

¹ 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.

e. 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 of 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 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. The expected real rates of return by asset class are as followed:

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 9: Defined Benefit Pension Plans (Continued)

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

¹ An expected inflation of 2.00% used for this period.

² An expected inflation of 2.92% used for this period.

f. 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.

g. Subsequent Events

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

h. Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 9: Defined Benefit Pension Plans (Continued)

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The EARSL for PERF C (the CalPERS pool) for the measurement date ending June 30, 2018 is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

i. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

Net Pension Liability

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

<u>Proportionate Share of Net Pension Liability</u>	
Miscellaneous	\$ 8,999,874
Safety	9,853,739
Total Net Pension Liability	<u>\$ 18,853,613</u>

The City's net pension liability for each plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the plans is measured as of June 30, 2018, and the total pension liability for each 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 proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each plan as of June 30, 2017 and 2018, were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2017	0.0920%	0.0980%
Proportion - June 30, 2018	0.0953%	0.1047%
Change - Increase (Decrease)	<u>3.5870%</u>	<u>6.8367%</u>

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 9: Defined Benefit Pension Plans (Continued)

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.15%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous	\$ 13,339,959	\$ 8,999,874	\$ 5,417,206
Safety	15,343,042	9,853,739	5,356,237
	<u>\$ 28,683,001</u>	<u>\$ 18,853,613</u>	<u>\$ 10,773,443</u>

Pension Expense and Pension Deferrals

For the year ended June 30, 2019, the City recognized a total pension expense of \$1,043,204 for the Miscellaneous plan and \$1,581,073 for the Safety plan, totaling \$2,624,277 for all plans. At June 30, 2019, the City reported deferred outflows and deferred inflows of resources related to pensions as follows:

<u>Miscellaneous Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 706,647	\$ -
Changes in assumptions	1,026,012	251,455
Difference between expected and actual experience	345,309	117,508
Net difference between projected and actual earnings on pension plan investments	44,496	-
Adjustment due to differences in proportions	97,609	244,470
Difference between actual and proportionate share of contributions	-	380,770
Subtotal Miscellaneous Plan	<u>2,220,073</u>	<u>994,203</u>
<u>Safety Plan</u>		
Contributions subsequent to measurement date	927,772	-
Changes in assumptions	966,824	130,442
Difference between expected and actual experience	211,723	804
Net difference between projected and actual earnings on pension plan investments	66,711	-
Adjustment due to differences in proportions	410,703	53,768
Difference between actual and proportionate share of contributions	-	420,398
Subtotal Safety Plan	<u>2,583,733</u>	<u>605,412</u>
Total All Plans	<u>\$ 4,803,806</u>	<u>\$ 1,599,615</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 9: Defined Benefit Pension Plans (Continued)

The \$1,634,419 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
2020	\$ 688,659	\$ 850,028	\$ 1,538,687
2021	293,735	501,883	795,618
2022	(382,224)	(233,110)	(615,334)
2023	(80,947)	(68,252)	(149,199)

Note 10: Other Post-Employment Benefits (OPEB) Plan

a. Plan Description

In addition to providing pension benefits, the City provides certain health care benefits, through a single-employer OPEB Plan (the Plan), for retired employees in accordance with a City Council resolution. Substantially, all the City's employees become eligible for those benefits if they reach normal retirement age while working for the City. Those and similar benefits for active employees are provided through PERS whose premiums are based on the benefits paid during the year.

Retiree health care coverage is segregated into two tiers as follows:

Tier 1 – Employees Hired Before August 1, 1994(1) receive one of the following:

- Miscellaneous and Safety Employees with 10 years of service with the City, with a regular service retirement, shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent, provided that employee plus one dependent coverage was in effect upon the date of retirement, up to Medicare age, and up to \$300 per month thereafter for life.
- Employees age fifty (50) or over received up to \$300 per month for life.

Tier 2 – Employees Hired on or After August 1, 1994(1) receive one of the following:

- Miscellaneous Employees with at least 15 years of continuous service with the City, and have reached the age of fifty-five (55) shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent, provided that employee plus one dependent coverage was in effect upon the date of retirement, up to Medicare age, and up to \$300 per month thereafter for life.
- Safety Employees with 10 years of service with the City shall be eligible to receive 50% of the monthly benefit applicable towards the employee and one dependent, if employee plus one dependent coverage was in effect upon the date of retirement. The percentage increases by 5% per year to 100% at 20 years of service up to Medicare age, and up to \$300 per month thereafter for life.

(1) Applies to police employees hired after January 1, 1995.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 10: Other Post-Employment Benefits (OPEB) Plan (Continued)

b. Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active	45
Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to, but not yet receiving benefits	0
Total	84

c. Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council, and/or the employee associations. The City is currently funding this OPEB obligation based on a pay-as-you-go basis. For the measurement date ended June 30, 2019, the City made no contributions to the plan, which would be recognized as a reduction of the total OPEB liability.

d. Actuarial Methods and Assumptions

The City's total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation dated June 30, 2018, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	3.50%
Inflation	2.75%
Salary Increases	2.75% per year
Investment Rate of Return	3.50%, net of expenses
Mortality Rate	2014 CalPERS Active Mortality for Miscellaneous Employees
Pre-Retirement Turnover	According to the CalPERS 2009 Turnover rate tables
Healthcare Trend Rate	4% per year

The actuary applied section 3.7.7(c)4 Actuarial Standards of Practice No. 6, as revised, and determined age-adjusted rates are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefit payments.

e. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent. The discount rate is based on the Bond Buyer 20 Bond Index. The City does not participate in a trust fiduciary fund.

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 10: Other Post-Employment Employee Benefits (Continued)

f. Changes in the Total OPEB Liability

Because the City concluded that it would be too expensive and time-consuming to rerun prior valuations under GASB Statement 75, the actuary invoked Paragraph 244 of GASB Statement 75 for the transition. Consequently, in order to determine the beginning total OPEB liability, the actuary used a “roll-back” technique. The following table shows the results of the roll-back. The City restated its beginning net position accordingly (see Note 14).

The changes in the Total OPEB liability for the Plan are as follows:

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability/(Assets)</u>
Balance at June 30, 2018 (valuation date 6/30/18)	\$ 4,517,345
Changes recognized over the measurement period:	
Service Cost	175,452
Interest	157,013
Changes of assumptions	100,644
Benefit Payments	<u>(237,974)</u>
Net Changes	<u>195,135</u>
Balance at June 30, 2019 (measurement date 6/30/19)	<u>\$ 4,712,480</u>

g. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	Current	
1% Decrease	Discount Rate	1% Increase
(2.50%)	(3.50%)	(4.50%)
<u>\$5,259,309</u>	<u>\$4,712,480</u>	<u>\$4,264,245</u>

h. Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	Current Healthcare Cost	
1% Decrease	Trent Rates	1% Increase
3.00%	4.00%	5.00%
<u>\$4,382,415</u>	<u>\$4,712,480</u>	<u>\$4,752,756</u>

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

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$337,108. As of fiscal year ended June 30, 2019, the City did not report deferred inflows or outflows of resources related to OPEB.

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 11: Joint Ventures

a. Orange County Fire Authority

In January 1995, the City of Los Alamitos entered into a joint powers agreement with 17 other cities within the County of Orange to create the Orange County Fire Authority (Authority). The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. Since the creation of the Authority, five additional cities have joined the Authority as members. The Authority's governing board consists of one representative from each city and two from the County.

The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for eight cities. The County pays all structural fire fees it collects to the Authority. The eight cities for which the County does not collect structural fire fees are considered "cash contract cities" and, accordingly, make cash contributions based on the Authority's annual budget.

Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership. The City has a financial interest in the Authority; however, it does not have an equity interest. Also, the City does not have an ongoing financial responsibility. Financial statements of the Authority may be obtained from its office at Post Office Box 57115, Irvine, California 92619.

b. West Communications Financing Authority

The West Communications Financing Authority was established December 23, 1996, pursuant to a Joint Exercise of Powers Agreement by the Cities of Los Alamitos, Seal Beach and Cypress for the purpose of operating a public safety communications center.

The Board of Directors is comprised of three elected officials, one designated by each participating City. Each Director has one vote over budgeting and financial matters. The Authority is a public entity separate from the Cities and is not included in the financial statement of those entities.

Each City pays a contractual fee to the Authority which consists of personnel costs, capital expenditures and reserves to fund accrued employee leave and equipment purchases. The contractual fee remains stable from year to year. In 2018-2019, the City of Los Alamitos paid \$670,393 to the Authority. Financial information for the Authority may be obtained from the City of Cypress.

c. Integrated Law and Justice Agency for Orange County

In May 2006, the City of Los Alamitos entered into a joint powers agreement with 22 other agencies within the County of Orange to create the Integrated Law and Justice Agency for Orange County. The purpose of the Agency is to facilitate the integration and sharing of criminal justice information for the benefit of the lands and inhabitants within their respective boundaries. The Agency's governing board consists of six Municipal Police Chiefs, each elected for a three-year term by the Orange County Chiefs & Sheriff's Association. The operations of the Agency are funded by grant awards and annual budget appropriations from each member agency.

CITY OF LOS ALAMITOS, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019

Note 11: Joint Ventures (Continued)

Upon dissolution of the Agency, all surplus money and property of the Agency will be conveyed or distributed to each member in proportion to all funds provided to the Agency by that member. The City has a financial interest in the Authority; however, it does not have an equity interest. Also, the City has an ongoing financial responsibility to the Agency for approximately \$3,000 per year.

Financial information for this arrangement may be obtained from the City of Los Alamitos.

Note 12: Self-Insurance Program

Effective July 1, 2016, the City rescinded its participation in the California Joint Power Insurance Authority (CJPIA) and joined the California State Association of Counties Excess Insurance Authority (EIA). Beginning July 1, 2016, excess insurance coverage for General Liability and Workers' Compensation was provided through the EIA with self-insured retentions of \$100,000 and \$125,000 per occurrence for each respective program. The EIA provides coverage up to \$25 million per occurrence for General Liability and up to the statutory limit for Workers' Compensation.

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of EIA for liability, master crime, and workers' compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of \$573,499 reported at June 30, 2019, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

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

Changes in the reported liability for the last two fiscal years are as follows:

	Workers' Compensation	General Liability	Total
Liability balance as of June 30, 2017	\$ 82,531	\$ 125,042	\$ 207,573
Claims and changes in estimates during the fiscal year ended June 30, 2018	41,650	402,060	443,710
Claims payments during the fiscal year ended June 30, 2018	<u>(39,775)</u>	<u>(8,809)</u>	<u>(48,584)</u>
Liability balance as of June 30, 2018	84,406	518,293	602,699
Claims and changes in estimates during the fiscal year ended June 30, 2019	210,874	107,342	318,216
Claims payments during the fiscal year ended June 30, 2019	<u>(161,999)</u>	<u>(185,417)</u>	<u>(347,416)</u>
Liability balance as of June 30, 2019	<u>\$ 133,281</u>	<u>\$ 440,218</u>	<u>\$ 573,499</u>

CITY OF LOS ALAMITOS, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 13: Commitments and Contingencies

The City is subject to litigation arising in the normal course of business.

A liability in the amount of \$250,000 related to estimated claims liability regarding a potential lawsuit due to the City opposing SB-54, has been included in the City's government-wide financial statements.

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

As of June 30, 2019, the City has no material construction commitments.



CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,728,682	\$ 7,728,682	\$ 7,728,682	\$ -
Resources (Inflows):				
Taxes	10,755,540	10,755,540	11,016,039	260,499
Licenses and permits	568,470	568,470	830,942	262,472
Intergovernmental	163,778	293,351	128,796	(164,555)
Charges for services	866,800	866,800	954,139	87,339
Use of money and property	73,000	73,000	244,623	171,623
Fines and forfeitures	719,300	719,300	882,257	162,957
Miscellaneous	70,500	70,500	109,064	38,564
Transfers in	400,000	400,000	391,791	(8,209)
Amounts Available for Appropriations	21,346,070	21,475,643	22,286,333	810,690
Charges to Appropriations (Outflows):				
General government:				
City Council	74,330	78,330	68,341	9,989
City Manager / City Clerk	710,367	750,367	738,715	11,652
Administrative Services	734,041	734,041	713,571	20,470
City Attorney	164,000	199,540	240,256	(40,716)
Non-departmental	487,310	533,210	491,995	41,215
Public safety	6,248,260	6,292,194	5,886,413	405,781
Community development	796,419	917,384	928,515	(11,131)
Recreation and community services	1,532,651	1,544,651	1,589,783	(45,132)
Public works	2,035,584	2,294,752	1,894,704	400,048
Capital outlay	-	128,084	128,084	-
Transfers out	765,338	765,338	765,338	-
Total Charges to Appropriations	13,548,300	14,237,891	13,445,715	792,176
Budgetary Fund Balance, June 30	\$ 7,797,770	\$ 7,237,752	\$ 8,840,618	\$ 1,602,866

CITY OF LOS ALAMITOS, CALIFORNIA

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST-SHARING MULTIPLE-EMPLOYER MISCELLANEOUS & SAFETY PLANS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ¹**

Measurement Date	2019	2018	2017	2016	2015
	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Miscellaneous Plan:					
Proportion of the Net Pension Liability	0.0953%	0.0920%	0.0922%	0.0901%	0.0726%
Proportionate Share of the Net Pension Liability	\$ 8,999,874	\$ 9,127,183	\$ 7,975,904	\$ 6,181,642	\$ 4,518,604
Covered Payroll	\$ 1,882,670	\$ 2,067,777	\$ 2,139,951	\$ 2,067,219	\$ 2,042,142
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	478.0%	441.4%	372.7%	299.0%	221.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.3%	73.3%	74.1%	78.4%	79.8%
Safety Plan:					
Proportion of the Net Pension Liability	0.1047%	0.0980%	0.0965%	0.0922%	0.0891%
Proportionate Share of the Net Pension Liability	\$ 9,853,739	\$ 9,719,511	\$ 8,351,809	\$ 6,328,706	\$ 5,542,493
Covered Payroll	\$ 2,498,046	\$ 2,655,464	\$ 2,534,307	\$ 2,402,592	\$ 2,385,017
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	394.5%	366.0%	329.5%	263.4%	232.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.3%	73.3%	74.1%	78.4%	79.8%

Notes to the Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes: There were no changes to benefit terms.

Changes of Assumptions: In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes to the discount rate.

¹ Historical information is required only for measurement for which GASB Statement No. 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

CITY OF LOS ALAMITOS, CALIFORNIA

**SCHEDULE OF PLAN CONTRIBUTIONS
COST-SHARING MULTIPLE-EMPLOYER MISCELLANEOUS & SAFETY PLANS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ¹**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Miscellaneous Plan:					
Actuarially Determined Contribution	\$ 706,647	\$ 607,715	\$ 575,534	\$ 478,168	\$ 228,140
Contribution in Relation to the Actuarially Determined Contribution	(706,647)	(607,715)	(575,534)	(478,168)	(228,140)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 1,883,036	\$ 1,882,670	\$ 2,067,777	\$ 2,139,951	\$ 2,067,219
Contributions as a Percentage of Covered Payroll	37.5%	32.3%	27.8%	22.3%	11.0%
Safety Plan:					
Actuarially Determined Contribution	\$ 927,772	\$ 847,090	\$ 797,034	\$ 748,750	\$ 605,370
Contribution in Relation to the Actuarially Determined Contribution	(927,772)	(847,090)	(797,034)	(748,750)	(605,370)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 2,287,551	\$ 2,498,046	\$ 2,655,464	\$ 2,534,307	\$ 2,402,592
Contributions as a Percentage of Covered Payroll	40.6%	33.9%	30.0%	29.5%	25.2%

Notes to Schedule of Plan Contributions:

Funding Valuation Date:	June 30, 2016
Methods and assumptions used to determine contribution rates:	
Actuarial cost method:	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.375%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.375%
Mortality rate table	CalPERS Experience Study
Post retirement benefit	COLA up to 2.75% based on purchasing power

¹ Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

CITY OF LOS ALAMITOS, CALIFORNIA

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ¹**

	<u>2019</u>	<u>2018</u>
Measurement Date	6/30/2018	6/30/2018
Total OPEB Liability:		
Service cost	\$ 175,452	\$ 170,756
Interest on the total OPEB liability	157,013	166,352
Changes in assumptions	100,644	-
Benefit payments	<u>(237,974)</u>	<u>(228,821)</u>
Net change in total OPEB liability	195,135	108,287
Total OPEB Liability, Beginning of the Year	<u>4,517,345</u>	<u>4,409,058</u>
Total OPEB Liability, End of the Year	<u>\$ 4,712,480</u>	<u>\$ 4,517,345</u>
Plan fiduciary net position as a percentage of the total OPEB liability ²	0.0%	0.0%
Covered-employee payroll	\$ 4,380,716	\$ 4,380,716
Total OPEB liability as a percentage of covered-employee payroll	107.6%	103.1%

Notes to Schedule of Changes in the Total OPEB Liability and Related Ratios:

¹ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

² The City does not hold any assets in a qualifying irrevocable trust or equivalent arrangement. As such, there is no fiduciary net position of the plan, and the total amount of the OPEB liability is reported.

CITY OF LOS ALAMITOS, CALIFORNIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: Budgets and Budgetary Accounting Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget is adopted by the City Council and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures. Actual expenditures may not exceed budgeted appropriations at the department level. The City's fund structure includes the following departments: City Council, City Manager/City Clerk, Administrative Services, City Attorney, Public Safety, Community Development, Recreation and Community Services, and Public Works. The City Manager is authorized to transfer budgeted amounts between the accounts of any department. Budgets are controlled at the department level. Budget figures used in the financial statements are the final adjusted amounts, including any amendments to the budget during the fiscal year.
3. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Governmental Fund types during the fiscal year. Unexpended appropriations of the governmental funds automatically lapse at the end of the fiscal year. Encumbrances at year-end are recorded as restricted, committed, or assigned fund balance and then reappropriated the following fiscal year.
4. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (USGAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the proprietary funds, as the City is not legally required to adopt a budget for this type of fund.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2019, based on calculations by City management, proceeds of taxes did not exceed appropriations.

Note 2: Excess of Expenditures over Appropriations

The following departments had expenditures that exceeded the adopted budget:

	Budget	Actual	Variance
City Attorney	\$ 199,540	\$ 240,256	\$ (40,716)
Community development	917,384	928,515	(11,131)
Recreation and community services	1,544,651	1,589,783	(45,132)

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Special Revenue Funds

	Measure M	Gas Tax	Los Alamitos Television	Office of Traffic Safety
Assets:				
Cash and investments	\$ 232,921	\$ 244,664	\$ 73,992	\$ 29,691
Accounts receivable	-	-	10,922	262
Due from other governments	34,191	38,826	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Total Assets	\$ 267,112	\$ 283,490	\$ 84,914	\$ 29,953
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 8,314	\$ 7,058	\$ 6,633	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	8,314	7,058	6,633	-
Fund Balance:				
Restricted:				
Cable television	-	-	78,281	-
Transportation	258,798	276,432	-	-
Public safety	-	-	-	29,953
Air quality	-	-	-	-
Parks	-	-	-	-
Committed:				
Capital projects	-	-	-	-
Assigned:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	258,798	276,432	78,281	29,953
Total Liabilities and Fund Balance	\$ 267,112	\$ 283,490	\$ 84,914	\$ 29,953

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

(CONTINUED)

	Special Revenue Funds			
	Asset Seizure	Public Safety Augmentation	State Law Enforcement Service	Air Quality
Assets:				
Cash and investments	\$ 64,199	\$ 25,058	\$ 104,740	\$ 95,576
Accounts receivable	-	-	-	-
Due from other governments	-	19,216	-	3,989
Restricted cash and investments with fiscal agent	-	-	-	-
Total Assets	\$ 64,199	\$ 44,274	\$ 104,740	\$ 99,565
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	1,909	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	1,909	-	-	-
Fund Balance:				
Restricted:				
Cable television	-	-	-	-
Transportation	-	-	-	-
Public safety	62,290	44,274	104,740	-
Air quality	-	-	-	99,565
Parks	-	-	-	-
Committed:				
Capital projects	-	-	-	-
Assigned:				
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	62,290	44,274	104,740	99,565
Total Liabilities and Fund Balance	\$ 64,199	\$ 44,274	\$ 104,740	\$ 99,565

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special			
	Revenue Funds	Capital Projects Funds		
	Community Development Block Grant	Park Development	Building Improvement	Residential Streets/Alleys
Assets:				
Cash and investments	\$ -	\$ 186,621	\$ 92,279	\$ 6,561
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Total Assets	\$ -	\$ 186,621	\$ 92,279	\$ 6,561
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ 2,669	\$ 3,245	\$ -
Deposits payable	-	-	-	-
Due to other funds	3,885	-	-	-
Total Liabilities	3,885	2,669	3,245	-
Fund Balance:				
Restricted:				
Cable television	-	-	-	-
Transportation	-	-	-	-
Public safety	-	-	-	-
Air quality	-	-	-	-
Parks	-	183,952	-	-
Committed:				
Capital projects	-	-	-	-
Assigned:				
Capital projects	-	-	89,034	6,561
Unassigned	(3,885)	-	-	-
Total Fund Balance	(3,885)	183,952	89,034	6,561
Total Liabilities and Fund Balance	\$ -	\$ 186,621	\$ 92,279	\$ 6,561

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
	Capital Outlay	Debt Service	
Assets:			
Cash and investments	\$ 117	\$ 3,517	\$ 1,159,936
Accounts receivable	-	-	11,184
Due from other governments	-	-	96,222
Restricted cash and investments with fiscal agent	-	174	174
Total Assets	\$ 117	\$ 3,691	\$ 1,267,516
Liabilities and Fund Balance:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 27,919
Deposits payable	-	-	1,909
Due to other funds	-	-	3,885
Total Liabilities	-	-	33,713
Fund Balance:			
Restricted:			
Cable television	-	-	78,281
Transportation	-	-	535,230
Public safety	-	-	241,257
Air quality	-	-	99,565
Parks	-	-	183,952
Committed:			
Capital projects	117	-	117
Assigned:			
Capital projects	-	3,691	99,286
Unassigned	-	-	(3,885)
Total Fund Balance	117	3,691	1,233,803
Total Liabilities and Fund Balance	\$ 117	\$ 3,691	\$ 1,267,516

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			
	Measure M	Gas Tax	Los Alamitos Television	Office of Traffic Safety
Revenues:				
Taxes	\$ -	\$ 446,436	\$ 26,315	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	4,256	4,258	1,849	477
Fines and forfeitures	-	-	-	18,201
Program revenues	233,179	-	-	-
Miscellaneous	-	-	6,500	-
Total Revenues	237,435	450,694	34,664	18,678
Expenditures:				
Current:				
General government	-	-	46,619	-
Public works	17,288	55,862	-	-
Capital outlay	114,431	54,842	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	131,719	110,704	46,619	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	105,716	339,990	(11,955)	18,678
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(185,000)	-	(5,000)
Total Other Financing Sources (Uses)	-	(185,000)	-	(5,000)
Net Change in Fund Balances	105,716	154,990	(11,955)	13,678
Fund Balance, Beginning of the Year	153,082	121,442	90,236	16,275
Fund Balance (Deficit), End of the Year	\$ 258,798	\$ 276,432	\$ 78,281	\$ 29,953

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

(CONTINUED)

	Special Revenue Funds			
	Asset Seizure	Public Safety Augmentation	State Law Enforcement Service	Air Quality
Revenues:				
Taxes	\$ -	\$ 111,007	\$ -	\$ -
Intergovernmental	868	-	148,747	15,387
Charges for services	-	-	-	-
Investment earnings	1,402	546	1,796	1,933
Fines and forfeitures	-	-	-	-
Program revenues	-	-	-	-
Miscellaneous	301	-	-	-
Total Revenues	2,571	111,553	150,543	17,320
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,571	111,553	150,543	17,320
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(91,791)	(110,000)	-
Total Other Financing Sources (Uses)	-	(91,791)	(110,000)	-
Net Change in Fund Balances	2,571	19,762	40,543	17,320
Fund Balance, Beginning of the Year	59,719	24,512	64,197	82,245
Fund Balance (Deficit), End of the Year	\$ 62,290	\$ 44,274	\$ 104,740	\$ 99,565

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Fund	Capital Projects Funds		
	Community Development Block Grant	Park Development	Building Improvement	Residential Streets/Alleys
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	147,532	-	-
Investment earnings	-	3,616	2,365	143
Fines and forfeitures	-	-	-	-
Program revenues	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	151,148	2,365	143
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	95,081	-	-
Capital outlay	3,916	2,480	28,407	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	3,916	97,561	28,407	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,916)	53,587	(26,042)	143
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(3,916)	53,587	(26,042)	143
Fund Balance, Beginning of the Year	31	130,365	115,076	6,418
Fund Balance (Deficit), End of the Year	\$ (3,885)	\$ 183,952	\$ 89,034	\$ 6,561

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Outlay</u>	<u>Debt Service</u>	
Revenues:			
Taxes	\$ -	\$ -	\$ 583,758
Intergovernmental	-	-	165,002
Charges for services	-	-	147,532
Investment earnings	117	163	22,921
Fines and forfeitures	-	-	18,201
Program revenues	-	-	233,179
Miscellaneous	-	-	6,801
Total Revenues	117	163	1,177,394
Expenditures:			
Current:			
General government	-	-	46,619
Public works	-	-	168,231
Capital outlay	-	-	204,076
Debt service:			
Principal retirement	-	70,000	70,000
Interest and fiscal charges	-	138,794	138,794
Total Expenditures	-	208,794	627,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	117	(208,631)	549,674
Other Financing Sources (Uses):			
Transfers in	-	205,000	205,000
Transfers out	-	-	(391,791)
Total Other Financing Sources (Uses)	-	205,000	(186,791)
Net Change in Fund Balances	117	(3,631)	362,883
Fund Balance, Beginning of the Year	-	7,322	870,920
Fund Balance (Deficit), End of the Year	\$ 117	\$ 3,691	\$ 1,233,803



CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
MEASURE M
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 153,082	\$ 153,082	\$ 153,082	\$ -
Resources (Inflows):				
Investment earnings	400	400	4,256	3,856
Program revenues	225,000	225,000	233,179	8,179
Amounts Available for Appropriations	378,482	378,482	390,517	12,035
Charges to Appropriations (Outflows):				
Public works	27,000	27,000	17,288	9,712
Capital outlay	315,412	323,417	114,431	208,986
Total Charges to Appropriations	342,412	350,417	131,719	218,698
Budgetary Fund Balance, June 30	\$ 36,070	\$ 28,065	\$ 258,798	\$ 230,733

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 121,442	\$ 121,442	\$ 121,442	\$ -
Resources (Inflows):				
Taxes	500,391	500,391	446,436	(53,955)
Investment earnings	100	100	4,258	4,158
Amounts Available for Appropriations	621,933	621,933	572,136	(49,797)
Charges to Appropriations (Outflows):				
Public works	95,000	95,000	55,862	39,138
Capital outlay	328,403	337,259	54,842	282,417
Transfers out	185,000	185,000	185,000	-
Total Charges to Appropriations	608,403	617,259	295,704	321,555
Budgetary Fund Balance, June 30	\$ 13,530	\$ 4,674	\$ 276,432	\$ 271,758

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
LOS ALAMITOS TELEVISION
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 90,236	\$ 90,236	\$ 90,236	\$ -
Resources (Inflows):				
Taxes	30,238	30,238	26,315	(3,923)
Investment earnings	700	700	1,849	1,149
Miscellaneous	6,500	6,500	6,500	-
Amounts Available for Appropriations	127,674	127,674	124,900	(2,774)
Charges to Appropriations (Outflows):				
General government	41,296	50,746	46,619	4,127
Total Charges to Appropriations	41,296	50,746	46,619	4,127
Budgetary Fund Balance, June 30	\$ 86,378	\$ 76,928	\$ 78,281	\$ 1,353

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
OFFICE OF TRAFFIC SAFETY
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 16,275	\$ 16,275	\$ 16,275	\$ -
Resources (Inflows):				
Investment earnings	-	-	477	477
Fines and forfeitures	5,000	5,000	18,201	13,201
Amounts Available for Appropriations	21,275	21,275	34,953	13,678
Charges to Appropriations (Outflows):				
Transfers out	5,000	5,000	5,000	-
Total Charges to Appropriations	5,000	5,000	5,000	-
Budgetary Fund Balance, June 30	\$ 16,275	\$ 16,275	\$ 29,953	\$ 13,678

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
ASSET SEIZURE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 59,719	\$ 59,719	\$ 59,719	\$ -
Resources (Inflows):				
Intergovernmental	-	-	868	868
Investment earnings	500	500	1,402	902
Miscellaneous	-	-	301	301
Amounts Available for Appropriations	60,219	60,219	62,290	2,071
Budgetary Fund Balance, June 30	\$ 60,219	\$ 60,219	\$ 62,290	\$ 2,071

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY AUGMENTATION
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,512	\$ 24,512	\$ 24,512	\$ -
Resources (Inflows):				
Taxes	105,000	105,000	111,007	6,007
Investment earnings	100	100	546	446
Amounts Available for Appropriations	129,612	129,612	136,065	6,453
Charges to Appropriations (Outflows):				
Transfers out	100,000	100,000	91,791	8,209
Total Charges to Appropriations	100,000	100,000	91,791	8,209
Budgetary Fund Balance, June 30	\$ 29,612	\$ 29,612	\$ 44,274	\$ 14,662

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
STATE LAW ENFORCEMENT SERVICE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 64,197	\$ 64,197	\$ 64,197	\$ -
Resources (Inflows):				
Intergovernmental	110,000	110,000	148,747	38,747
Investment earnings	50	50	1,796	1,746
Amounts Available for Appropriations	174,247	174,247	214,740	40,493
Charges to Appropriations (Outflows):				
Transfers out	110,000	110,000	110,000	-
Total Charges to Appropriations	110,000	110,000	110,000	-
Budgetary Fund Balance, June 30	\$ 64,247	\$ 64,247	\$ 104,740	\$ 40,493

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 82,245	\$ 82,245	\$ 82,245	\$ -
Resources (Inflows):				
Intergovernmental	14,750	14,750	15,387	637
Investment earnings	400	400	1,933	1,533
Amounts Available for Appropriations	97,395	97,395	99,565	2,170
Charges to Appropriations (Outflows):				
Public works	35,000	35,000	-	35,000
Total Charges to Appropriations	35,000	35,000	-	35,000
Budgetary Fund Balance, June 30	\$ 62,395	\$ 62,395	\$ 99,565	\$ 37,170

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 31	\$ 31	\$ 31	\$ -
Resources (Inflows):				
Intergovernmental	135,000	135,000	-	(135,000)
Investment earnings	100	100	-	(100)
Amounts Available for Appropriations	135,131	135,131	31	(135,100)
Charges to Appropriations (Outflows):				
Capital outlay	135,000	135,000	3,916	131,084
Total Charges to Appropriations	135,000	135,000	3,916	131,084
Budgetary Fund Balance (Deficit), June 30	\$ 131	\$ 131	\$ (3,885)	\$ (4,016)

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
PARK DEVELOPMENT
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 130,365	\$ 130,365	\$ 130,365	\$ -
Resources (Inflows):				
Charges for services	268,240	80,240	147,532	67,292
Investment earnings	200	200	3,616	3,416
Amounts Available for Appropriations	398,805	210,805	281,513	70,708
Charges to Appropriations (Outflows):				
Public works	70,000	97,475	95,081	2,394
Capital outlay	210,000	113,000	2,480	110,520
Total Charges to Appropriations	280,000	210,475	97,561	112,914
Budgetary Fund Balance, June 30	\$ 118,805	\$ 330	\$ 183,952	\$ 183,622

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
BUILDING IMPROVEMENT
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 115,076	\$ 115,076	\$ 115,076	\$ -
Resources (Inflows):				
Investment earnings	100	100	2,365	2,265
Amounts Available for Appropriations	115,176	115,176	117,441	2,265
Charges to Appropriations (Outflows):				
Capital outlay	100,000	100,000	28,407	71,593
Total Charges to Appropriations	100,000	100,000	28,407	71,593
Budgetary Fund Balance, June 30	\$ 15,176	\$ 15,176	\$ 89,034	\$ 73,858

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
RESIDENTIAL STREETS/ALLEYS
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,418	\$ 6,418	\$ 6,418	\$ -
Resources (Inflows):				
Investment earnings	45	45	143	98
Amounts Available for Appropriations	6,463	6,463	6,561	98
Budgetary Fund Balance, June 30	\$ 6,463	\$ 6,463	\$ 6,561	\$ 98

CITY OF LOS ALAMITOS, CALIFORNIA

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 7,322	\$ 7,322	\$ 7,322	\$ -
Resources (Inflows):				
Investment earnings	20	20	163	143
Transfers in	205,000	205,000	205,000	-
Amounts Available for Appropriations	212,342	212,342	212,485	143
Charges to Appropriations (Outflows):				
Debt service:				
Principal retirement	70,000	70,000	70,000	-
Interest and fiscal charges	139,000	139,000	138,794	206
Total Charges to Appropriations	209,000	209,000	208,794	206
Budgetary Fund Balance, June 30	\$ 3,342	\$ 3,342	\$ 3,691	\$ 349

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

Governmental Activities -
Internal Service Funds

	Garage	Technology Replacement	Police Capital Expenditures
Assets:			
Current:			
Cash and investments	\$ 600,352	\$ 213,422	\$ 98,602
Accounts receivable	-	-	-
Prepaid costs	-	1,618	-
Cash and investments - restricted	851	-	-
Total Current Assets	601,203	215,040	98,602
Noncurrent:			
Capital assets - net of accumulated depreciation	221,602	33,522	-
Total Noncurrent Assets	221,602	33,522	-
Total Assets	822,805	248,562	98,602
Liabilities:			
Current:			
Accounts payable	12,352	4,810	-
Accrued interest	2,529	-	-
Accrued claims and judgments	-	-	-
Capital leases	68,105	-	-
Total Current Liabilities	82,986	4,810	-
Noncurrent:			
Capital leases	69,362	-	-
Total Noncurrent Liabilities	69,362	-	-
Total Liabilities	152,348	4,810	-
Net Position:			
Net investment in capital assets	84,986	33,522	-
Unrestricted	585,471	210,230	98,602
Total Net Position	\$ 670,457	\$ 243,752	\$ 98,602

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

	Governmental Activities - Internal Service Funds		
	Facilities, Streets, Parks, and Pool Capital Expenditures	Self Insurance Trust	Totals
Assets:			
Current:			
Cash and investments	\$ 224,577	\$ 603,948	\$ 1,740,901
Accounts receivable	-	22,265	22,265
Prepaid costs	-	-	1,618
Cash and investments - restricted	-	-	851
Total Current Assets	<u>224,577</u>	<u>626,213</u>	<u>1,765,635</u>
Noncurrent:			
Capital assets - net of accumulated depreciation	362,107	-	617,231
Total Noncurrent Assets	<u>362,107</u>	<u>-</u>	<u>617,231</u>
Total Assets	<u>586,684</u>	<u>626,213</u>	<u>2,382,866</u>
Liabilities:			
Current:			
Accounts payable	-	81,695	98,857
Accrued interest	-	-	2,529
Accrued claims and judgments	-	323,499	323,499
Capital leases	-	-	68,105
Total Current Liabilities	<u>-</u>	<u>405,194</u>	<u>492,990</u>
Noncurrent:			
Capital leases	-	-	69,362
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>69,362</u>
Total Liabilities	<u>-</u>	<u>405,194</u>	<u>562,352</u>
Net Position:			
Net investment in capital assets	362,107	-	480,615
Unrestricted	224,577	221,019	1,339,899
Total Net Position	<u>\$ 586,684</u>	<u>\$ 221,019</u>	<u>\$ 1,820,514</u>

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Governmental Activities -
Internal Service Funds

	Garage	Technology Replacement	Police Capital Expenditures
Operating Revenues:			
Charges for services:			
Garage	\$ 304,026	\$ -	\$ -
Technology replacement	-	143,762	-
Miscellaneous	-	-	-
Total Operating Revenues	304,026	143,762	-
Operating Expenses:			
Personnel services	13,885	-	-
Supplies and materials	132,029	28,960	134
Outside services	24,534	105,654	-
Claims expense	-	-	-
Depreciation expense	97,479	8,380	-
Total Operating Expenses	267,927	142,994	134
Operating Income (Loss)	36,099	768	(134)
Nonoperating Revenues (Expenses):			
Interest expense	(2,539)	-	-
Total Nonoperating Revenues (Expenses)	(2,539)	-	-
Income (Loss) Before Transfers	33,560	768	(134)
Transfers in	-	-	-
Changes in Net Position	33,560	768	(134)
Net Position, Beginning of the Year	636,897	242,984	98,736
Net Position, End of the Year	\$ 670,457	\$ 243,752	\$ 98,602

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Funds		
	Facilities, Streets, Parks, and Pool Capital Expenditures	Self Insurance Trust	Totals
Operating Revenues:			
Charges for services:			
Garage	\$ -	\$ -	\$ 304,026
Technology replacement	-	-	143,762
Miscellaneous	-	38,578	38,578
Total Operating Revenues	-	38,578	486,366
Operating Expenses:			
Personnel services	-	-	13,885
Supplies and materials	-	-	161,123
Outside services	-	-	130,188
Claims expense	-	725,820	725,820
Depreciation expense	4,893	-	110,752
Total Operating Expenses	4,893	725,820	1,141,768
Operating Income (Loss)	(4,893)	(687,242)	(655,402)
Nonoperating Revenues (Expenses):			
Interest expense	-	-	(2,539)
Total Nonoperating Revenues (Expenses)	-	-	(2,539)
Income (Loss) Before Transfers	(4,893)	(687,242)	(657,941)
Transfers in	-	560,338	560,338
Changes in Net Position	(4,893)	(126,904)	(97,603)
Net Position, Beginning of the Year	591,577	347,923	1,918,117
Net Position, End of the Year	\$ 586,684	\$ 221,019	\$ 1,820,514

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2019

Governmental Activities -
Internal Service Funds

	Garage	Technology Replacement	Police Capital Expenditures
Cash Flows from Operating Activities:			
Receipts from interfund charges for garage services	\$ 304,026	\$ -	\$ -
Receipts from interfund charges for technology replacement services	-	143,762	-
Payments to suppliers and service providers	(155,048)	(118,384)	(134)
Payments to employees for salaries and benefits	(13,885)	-	-
Cash received from (payments to) others	-	-	-
Net Cash Provided by (Used for) Operating Activities	135,093	25,378	(134)
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	-	-	-
Net Cash Provided by Noncapital Financing Activities	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(35,590)	-	-
Principal paid on capital debt	(66,872)	-	-
Interest paid on capital debt	(3,769)	-	-
Net Cash Used for Capital and Related Financing Activities	(106,231)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	28,862	25,378	(134)
Cash and Cash Equivalents, July 1 (including \$851 for the Garage Fund reported in restricted accounts)	572,341	188,044	98,736
Cash and Cash Equivalents, June 30 (including \$851 for the Garage Fund reported in restricted accounts)	\$ 601,203	\$ 213,422	\$ 98,602
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 36,099	\$ 768	\$ (134)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	97,479	8,380	-
(Increase) in accounts receivable	-	-	-
Decrease in prepaid expense	-	11,776	-
Increase (decrease) in accounts payable	1,515	4,454	-
(Decrease) in claims and judgments	-	-	-
Total Adjustments	98,994	24,610	-
Net Cash Provided by (Used for) Operating Activities	\$ 135,093	\$ 25,378	\$ (134)

CITY OF LOS ALAMITOS, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Funds		
	Facilities, Streets, Parks, and Pool Capital Expenditures	Self Insurance Trust	Totals
Cash Flows from Operating Activities:			
Receipts from interfund charges for garage services	\$ -	\$ -	\$ 304,026
Receipts from interfund charges for technology replacement services	-	-	143,762
Payments to suppliers and service providers	(18,350)	-	(291,916)
Payments to employees for salaries and benefits	-	-	(13,885)
Cash received from (payments to) others	-	(662,507)	(662,507)
Net Cash Provided by (Used for) Operating Activities	(18,350)	(662,507)	(520,520)
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	-	560,338	560,338
Net Cash Provided by Noncapital Financing Activities	-	560,338	560,338
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	(35,590)
Principal paid on capital debt	-	-	(66,872)
Interest paid on capital debt	-	-	(3,769)
Net Cash Used for Capital and Related Financing Activities	-	-	(106,231)
Net Increase (Decrease) in Cash and Cash Equivalents	(18,350)	(102,169)	(66,413)
Cash and Cash Equivalents, July 1 (including \$851 for the Garage Fund reported in restricted accounts)	242,927	706,117	1,808,165
Cash and Cash Equivalents, June 30 (including \$851 for the Garage Fund reported in restricted accounts)	\$ 224,577	\$ 603,948	\$ 1,741,752
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (4,893)	\$ (687,242)	\$ (655,402)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	4,893	-	110,752
(Increase) in accounts receivable	-	(22,265)	(22,265)
Decrease in prepaid expense	-	-	11,776
Increase (decrease) in accounts payable	(18,350)	76,200	63,819
(Decrease) in claims and judgments	-	(29,200)	(29,200)
Total Adjustments	(13,457)	24,735	134,882
Net Cash Provided by (Used for) Operating Activities	\$ (18,350)	\$ (662,507)	\$ (520,520)



CITY OF LOS ALAMITOS, CALIFORNIA

**DESCRIPTION OF STATISTICAL SECTION CONTENTS
JUNE 30, 2019**

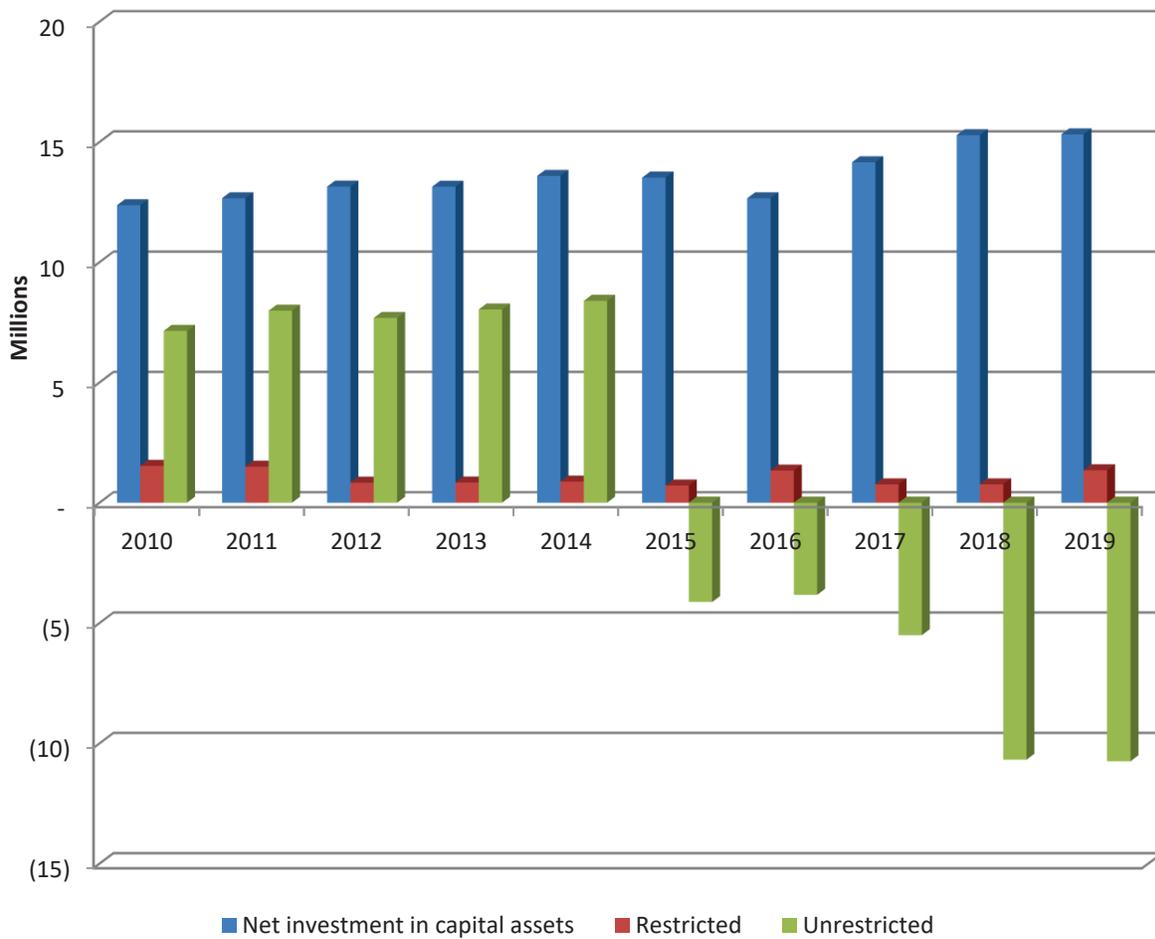
This part of the City of Los Alamitos’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government’s overall financial health.

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CITY OF LOS ALAMITOS
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 12,370	\$ 12,659	\$ 13,143	\$ 13,138
Restricted	1,533	1,500	832	841
Unrestricted	7,144	7,984	7,681	8,034
Total governmental activities net position	<u>\$ 21,047</u>	<u>\$ 22,143</u>	<u>\$ 21,656</u>	<u>\$ 22,013</u>



Source: City of Los Alamitos, Finance Department

* In Fiscal Year 2014-15 the City implemented GASB Statement No. 68, which resulted in a \$12.8 million decrease to the City's net position in relation to accounting for the City's net pension liability and related deferrals.

** In Fiscal Year 2017-18 the City implemented GASB Statement No. 75, which resulted in a \$3.6 million decrease to the City's net position in relation to accounting for the City's total OPEB liability.

		Fiscal Year				
	2014	2015*	2016	2017	2018**	2019
\$	13,585	\$ 13,519	\$ 12,658	\$ 14,156	\$ 15,281	\$ 15,315
	878	713	1,334	764	761	1,350
	8,393	(4,126)	(3,828)	(5,506)	(10,679)	(10,746)
\$	<u>22,856</u>	<u>\$ 10,106</u>	<u>\$ 10,164</u>	<u>\$ 9,414</u>	<u>\$ 5,363</u>	<u>\$ 5,919</u>

CITY OF LOS ALAMITOS
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2010	2011	2012
Expenses			
Governmental activities:			
General government	\$ 2,224	\$ 1,659	\$ 2,376
Public safety	5,068	4,912	5,545
Community development	578	527	705
Recreation and community services	1,583	1,568	1,770
Public works	1,922	1,905	2,007
Interest and fiscal charges	156	153	150
Total governmental activities expenses	<u>11,531</u>	<u>10,724</u>	<u>12,553</u>
Program Revenues			
Governmental activities:			
Charges for services			
General government	117	43	3
Public safety	618	641	511
Community development	73	150	280
Recreation and community services	1,180	1,230	1,266
Public works	-	-	-
Operating grants	388	533	112
Capital grants and contributions	708	890	524
Total governmental activities program revenues	<u>3,084</u>	<u>3,487</u>	<u>2,696</u>
Net (expense)/revenue			
Governmental activities	(8,447)	(7,237)	(9,857)
General Revenues and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property	2,654	2,529	3,143
Utility users tax	2,178	2,132	2,083
Transient occupancy	70	80	88
Sales	2,349	2,148	2,200
Franchise	584	595	683
Business license	574	471	618
Other	65	85	347
	<u>8,474</u>	<u>8,040</u>	<u>9,162</u>
Motor vehicle in lieu	36	62	6
Investment income	39	27	15
Gain on Sale of property	5	140	3
Other	287	89	207
Total governmental activities	<u>8,841</u>	<u>8,358</u>	<u>9,393</u>
Changes in Net Position			
Governmental activities	<u>\$ 394</u>	<u>\$ 1,121</u>	<u>\$ (464)</u>

Source: City of Los Alamitos, Finance Department

		Fiscal Year											
		2013	2014	2015	2016	2017	2018	2019					
\$	1,377	\$	2,223	\$	2,646	\$	2,976	\$	2,830	\$	3,517	\$	3,135
	5,393		5,691		5,463		5,732		6,922		6,311		6,556
	745		843		714		685		775		1,104		986
	1,957		1,700		1,772		1,834		1,783		1,811		1,746
	2,709		2,839		2,592		2,339		2,306		2,314		2,415
	168		140		138		302		148		141		142
	<u>12,349</u>		<u>13,436</u>		<u>13,325</u>		<u>13,868</u>		<u>14,764</u>		<u>15,198</u>		<u>14,980</u>
	-		385		205		225		272		814		831
	637		735		752		808		825		859		916
	435		113		141		80		100		198		3
	1,295		1,242		1,301		1,225		1,087		956		937
	-		18		2		139		-		-		167
	119		323		293		398		453		151		442
	349		1,739		629		530		369		391		254
	<u>2,835</u>		<u>4,555</u>		<u>3,323</u>		<u>3,405</u>		<u>3,106</u>		<u>3,369</u>		<u>3,550</u>
	(9,514)		(8,881)		(10,002)		(10,463)		(11,658)		(11,829)		(11,430)
	3,734		2,733		2,954		3,118		3,603		3,773		3,946
	2,160		2,188		2,210		2,092		2,037		2,034		1,968
	104		113		132		156		159		167		160
	2,117		2,836		3,064		3,357		3,160		3,336		3,597
	653		689		712		709		669		691		688
	694		551		563		566		609		647		684
	284		334		348		251		339		429		557
	<u>9,746</u>		<u>9,444</u>		<u>9,983</u>		<u>10,249</u>		<u>10,576</u>		<u>11,077</u>		<u>11,600</u>
	5		-		-		-		-		-		-
	27		13		30		86		63		102		271
	37		-		-		-		-		19		-
	36		267		146		185		269		182		115
	<u>9,851</u>		<u>9,724</u>		<u>10,159</u>		<u>10,520</u>		<u>10,908</u>		<u>11,380</u>		<u>11,986</u>
\$	<u>337</u>	\$	<u>843</u>	\$	<u>157</u>	\$	<u>57</u>	\$	<u>(750)</u>	\$	<u>(449)</u>	\$	<u>556</u>

CITY OF LOS ALAMITOS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2010	2011	2012
General Fund			
Nonspendable		\$ 4	\$ 7
Committed		-	-
Restricted		-	-
Assigned		3,250	3,250
Unassigned		4,161	4,496
Reserved	\$ 5	-	-
Unreserved, designated	2,800	-	-
Unreserved, undesignated	3,418	-	-
Total General Fund	<u>6,223</u>	<u>7,415</u>	<u>7,753</u>
All Other Governmental Funds			
Nonspendable		-	-
Restricted		1,550	1,073
Assigned		1,201	724
Unassigned		(167)	(146)
Reserved	261		
Unreserved, designated reported in:			
Special revenue funds	216		
Unreserved, reported in:			
Special revenue funds	1,120		
Debt service funds	-		
Capital projects funds	1,008		
Total All Other Governmental Funds	<u>2,605</u>	<u>2,584</u>	<u>1,651</u>
Total All Governmental Funds	<u>\$ 8,828</u>	<u>\$ 9,999</u>	<u>\$ 9,404</u>

*Note: The City adopted GASB 54 starting in fiscal year 2011 which changed how fund balance is presented in the CAFR

Source: City of Los Alamitos, Finance Department

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
\$ 6	\$ 8	\$ 684	\$ 59	\$ 17	\$ 18	\$ 56
-	-	-	-	-	-	3,607
-	-	-	-	-	-	-
3,770	7,049	7,484	7,347	7,481	7,662	4,589
4,085	1,218	(644)	3	56	49	588
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,861</u>	<u>8,275</u>	<u>7,524</u>	<u>7,409</u>	<u>7,554</u>	<u>7,729</u>	<u>8,840</u>
-	-	-	-	-	-	-
888	829	1,063	1,333	764	764	1,180
898	677	390	1,001	345	129	99
(223)	(1,240)	-	-	-	-	(4)
<u>1,563</u>	<u>266</u>	<u>1,453</u>	<u>2,334</u>	<u>1,109</u>	<u>893</u>	<u>1,275</u>
<u>\$ 9,424</u>	<u>\$ 8,541</u>	<u>\$ 8,977</u>	<u>\$ 9,743</u>	<u>\$ 8,663</u>	<u>\$ 8,622</u>	<u>\$ 10,115</u>

CITY OF LOS ALAMITOS
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	2010	2011	2012
Revenues			
Taxes	\$ 7,915	\$ 8,027	\$ 8,087
Licenses and permits	604	629	1,247
Intergovernmental	1,542	1,047	475
Charges for services	1,256	1,379	1,320
Investment earnings	39	27	15
Fines and forfeitures	622	602	450
Other	189	245	197
Total Revenues	<u>12,167</u>	<u>11,956</u>	<u>11,791</u>
Expenditures			
General government	2,132	1,892	2,106
Public safety	4,923	4,748	4,913
Community development	562	526	623
Recreation and community services	1,517	1,527	1,570
Public works	1,717	1,654	1,779
Capital outlay	1,260	523	1,183
Debt service:			
Principal retirement	61	60	65
Payment to refunded bond escrow agent	-	-	-
Interest and fiscal charges	152	150	147
Total Expenditures	<u>12,324</u>	<u>11,080</u>	<u>12,386</u>
Excess of revenues over/(under) expenditures	<u>(157)</u>	<u>876</u>	<u>(595)</u>
Other Financing Sources (Uses)			
Transfers in	635	960	715
Transfers out	(546)	(621)	(715)
Refunding bonds issued	-	-	-
Bond premium	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources	<u>89</u>	<u>339</u>	<u>-</u>
Net change in fund balances	<u>\$ (68)</u>	<u>\$ 1,215</u>	<u>\$ (595)</u>
Debt service as a percentage of noncapital expenditures	1.925%	1.966%	1.878%

(1) Increase in debt service related to issuance of 2015 Certificates of Participation

Source: City of Los Alamitos, Administrative Services Department

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
\$ 9,042	\$ 9,420	\$ 10,337	\$ 10,559	\$ 10,724	\$ 11,078	11,600
694	937	205	225	272	814	831
531	150	1,609	245	609	323	294
1,752	1,396	1,403	1,459	1,202	1,169	1,121
9	2	30	86	63	106	271
615	710	737	781	810	844	900
36	581	454	460	476	398	349
<u>12,679</u>	<u>13,196</u>	<u>14,775</u>	<u>13,815</u>	<u>14,156</u>	<u>14,732</u>	<u>15,366</u>
1,900	2,097	2,379	2,735	2,029	2,243	2,299
5,280	5,874	5,513	5,711	5,777	5,751	5,886
737	830	694	657	715	1,044	928
1,889	1,620	1,730	1,739	1,646	1,598	1,590
1,831	1,686	1,771	1,963	1,963	1,943	2,064
806	1,744	830	213	1,972	1,068	332
72	70	76	75	70	70	70
-	-	-	220	-	-	-
144	141	138	311	142	140	139
<u>12,659</u>	<u>14,062</u>	<u>13,131</u>	<u>13,624</u>	<u>14,314</u>	<u>13,857</u>	<u>13,308</u>
<u>20</u>	<u>(866)</u>	<u>1,644</u>	<u>191</u>	<u>(158)</u>	<u>875</u>	<u>2,058</u>
588	606	684	681	1,280	832	597
(588)	(621)	(1,892)	(1,203)	(2,201)	(1,752)	(1,157)
-	-	-	3,685	-	-	-
-	-	-	133	-	-	-
-	-	-	(2,722)	-	-	-
<u>-</u>	<u>(15)</u>	<u>(1,208)</u>	<u>574</u>	<u>(921)</u>	<u>(920)</u>	<u>(560)</u>
<u>\$ 20</u>	<u>\$ (881)</u>	<u>\$ 436</u>	<u>\$ 765</u>	<u>\$ (1,079)</u>	<u>\$ (45)</u>	<u>1,498</u>
1.765%	1.598%	1.813%	2.865%	1.713%	1.640%	1.611%

(1)

CITY OF LOS ALAMITOS
 2018/19 Use Category Summary-Basic Property Value Table
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Category	2010	2011	2012	2013	2014	2015
Residential	\$ 897,118	\$ 925,857	\$ 935,865	\$ 957,266	\$ 994,876	\$ 1,057,040
Commercial	289,009	283,221	278,086	288,363	288,722	309,701
Industrial	248,721	246,247	247,130	252,384	253,201	253,653
Institutional	62	-	-	-	-	-
Miscellaneous	1,753	1,749	1,762	1,797	-	-
Recreational	-	-	-	-	-	-
Vacant land	876	-	-	-	8,917	8,449
SBE Nonunitary	222	222	222	222	222	222
Cross Reference	3,285	3,477	3,367	4,327	3,453	3,265
Unsecured	148,625	155,295	138,185	134,342	119,933	143,801
Other	-	-	-	-	-	-
Totals	\$ 1,589,671	\$ 1,616,068	\$ 1,604,617	\$ 1,638,701	\$ 1,669,324	\$ 1,776,131
Direct rate	0.10067%	0.10066%	0.10066%	0.10067%	0.10090%	0.11700%

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year the assessed value of property may be increased by an inflation factor (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren and Cone, Orange County Assessor Tax Rate Table

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 1,117,850	\$ 1,165,824	\$ 1,200,335	\$ 1,266,083
351,113	358,116	393,211	405,241
260,291	268,534	292,689	308,001
-	-	-	-
-	-	-	1,793
-	-	-	-
9,710	9,905	11,648	10,088
222	222	222	970
3,083	3,998	4,139	4,109
138,386	154,478	163,741	161,257
-	-	-	-
<hr/>			
\$ 1,880,655	\$ 1,961,077	\$ 2,065,985	\$ 2,157,542
0.11600%	0.11600%	0.11600%	0.11600%



CITY OF LOS ALAMITOS
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions (1)	Taxable Assessed Value (2)	Total Direct Tax Rate
2010	1,440,825	148,847	-	1,589,672	0.117
2011	1,460,551	155,517	-	1,616,068	0.117
2012	1,466,210	138,407	-	1,604,617	0.117
2013	1,504,137	134,564	-	1,638,701	0.117
2014	1,549,169	120,155	-	1,788,869	0.117
2015	1,632,108	144,023	-	1,776,131	0.117
2016	1,742,048	138,608	-	1,880,656	0.116
2017	1,806,599	154,478	-	1,961,077	0.116
2018	1,902,244	163,741	-	2,065,985	0.116
2019	1,996,284	160,953	-	2,157,237	0.116

(1) Exemptions are netted against the individual property categories.

(2) Total includes Nonunitary Taxable Assessed Values.

Note:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year the assessed value of property may be increased by an inflation factor (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren and Cone, Orange County Assessor Combined Tax Rolls

CITY OF LOS ALAMITOS
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City Direct Rate	0.117	0.117	0.117	0.117	0.117	0.117
Overlapping Rates:						
Los Alamitos City General Fund	0.101	0.101	0.101	0.101	0.101	0.101
Los Alamitos City Lighting Reorganization	0.016	0.016	0.016	0.016	0.016	0.016
Educational Revenue Augmentation Fund	0.144	0.144	0.144	0.144	0.144	0.144
Los Alamitos Unified General Fund	0.412	0.412	0.412	0.412	0.412	0.411
North Orange Co. Community College District	0.059	0.059	0.059	0.059	0.059	0.059
Orange County Department of Education	0.031	0.031	0.031	0.031	0.031	0.031
Orange County Fire Authority	0.095	0.095	0.095	0.095	0.095	0.095
Orange County Flood Control District General	0.017	0.017	0.017	0.017	0.017	0.017
Orange County General Fund	0.052	0.052	0.052	0.052	0.052	0.052
Orange County Harbors Beaches & Parks Csa	0.013	0.013	0.013	0.013	0.013	0.013
Orange County Library District General Fund	0.014	0.014	0.014	0.014	0.014	0.014
Orange County Sanitation District 3 Operating	0.027	0.027	0.027	0.027	0.027	0.027
Orange County Transportation Authority	0.002	0.002	0.002	0.002	0.002	0.002
Orange County Vector Control	0.001	0.001	0.001	0.001	0.001	0.001
Orange County Water District	0.006	0.006	0.006	0.006	0.006	0.006
Orange County Water District reserve	0.000	0.000	0.000	0.000	0.000	0.001
Rossmoor/Los Alamitos Sewer District	0.010	0.010	0.010	0.010	0.010	0.010
Total Prop 13 Rate	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
Anaheim High School District	0.026	0.027	0.027	0.029	0.026	0.024
Cypress Elementary	0.022	0.026	0.015	0.025	0.027	0.023
Garden Grove Unified School District	0.000	0.033	0.025	0.031	0.037	0.041
Los Alamitos Sfid	0.020	0.033	0.036	0.042	0.056	0.048
Metropolitan Water District	0.004	0.004	0.004	0.004	0.003	0.004
N. Orange County Community College	0.018	0.017	0.017	0.019	0.017	0.017
Total Voter Approved tax Rate	<u>0.089</u>	<u>0.141</u>	<u>0.124</u>	<u>0.150</u>	<u>0.166</u>	<u>0.157</u>
Total Tax Rate	<u>1.089</u>	<u>1.141</u>	<u>1.124</u>	<u>1.150</u>	<u>1.166</u>	<u>1.157</u>

Source: HdL Coren and Cone, Orange County Assessor 2009/2010 - 2018/2019 Tax Rate Table

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
0.116	0.116	0.116	0.116
0.101	0.101	0.101	0.101
0.016	0.016	0.016	0.016
0.145	0.145	0.145	0.145
0.412	0.412	0.412	0.412
0.059	0.059	0.059	0.059
0.031	0.031	0.031	0.031
0.095	0.095	0.095	0.095
0.017	0.017	0.017	0.017
0.052	0.052	0.052	0.052
0.013	0.013	0.013	0.013
0.014	0.014	0.014	0.014
0.027	0.027	0.027	0.027
0.002	0.002	0.002	0.002
0.001	0.001	0.001	0.001
0.006	0.006	0.006	0.006
0.000	0.000	0.000	0.000
0.010	0.010	0.010	0.010
<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
0.049	0.043	0.022	0.042
0.025	0.024	0.031	0.030
0.047	0.045	0.075	0.068
0.052	0.048	0.047	0.049
0.004	0.004	0.004	0.004
0.030	0.029	0.029	0.028
<u>0.207</u>	<u>0.192</u>	<u>0.207</u>	<u>0.221</u>
<u>1.207</u>	<u>1.192</u>	<u>1.207</u>	<u>1.220</u>

CITY OF LOS ALAMITOS
Principal Property Tax Payers
Current Year and Ten Years Ago
(amounts expressed in thousands)

	2019		2010	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Los Alamitos Medical Center	\$ 120,908	5.604%	\$ 58,616	3.687%
Los Alamitos Corporation Center JV	59,636	2.764%		
Trend Offset Printing Inc.	47,700	2.211%	46,617	2.932%
Don Wilson Staples LLC	37,298	1.729%	32,832	2.065%
Bar Bakers LLC	20,917	0.969%		
CGM Katella LLC	19,258	0.893%		
JCB Inc Tinicum Corporation	18,726	0.868%	16,454	1.035%
Ganahl Lumber Company	16,748	0.776%	14,967	0.942%
Bayport Los Alamitos Associates LP	13,639	0.632%	12,051	0.758%
Katella Property Owner LLC	13,198	0.612%		
Henrietta C. Le Trust Los Alamitos Corp			52,923	3.329%
Davenport KCC Partners LLC			16,449	1.035%
Arrowhead Products Corporation			10,960	0.689%
ESS WCOT Owner LLC			10,310	0.649%
Top Ten Totals	<u>\$ 368,028</u>	<u>17.058%</u>	<u>\$ 272,179</u>	<u>17.122%</u>
City Totals	<u>\$ 2,157,541</u>		<u>\$ 1,589,671</u>	

Source: HdL Coren and Cone, Orange County Assessor 2009/10 and 2018/19 Tax Rolls

CITY OF LOS ALAMITOS
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections for Prior Years (1)	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2010	1,677,973	1,358,634	80.969%	56,169	1,414,803	84.316%
2011	1,706,675	1,656,579	97.065%	37,679	1,694,258	99.272%
2012	1,863,810	1,776,861	95.335%	36,779	1,813,640	97.308%
2013	2,013,958	1,959,000	97.271%	24,090	1,983,090	98.467%
2014	2,010,346	1,981,110	98.546%	24,524	2,005,634	99.766%
2015	2,130,906	2,081,181	97.666%	19,659	2,100,840	98.589%
2016	2,261,032	2,220,841	98.222%	18,519	2,239,360	99.041%
2017	2,347,295	2,314,148	98.588%	17,812	2,331,960	99.347%
2018	2,457,342	2,440,391	99.310%	16,019	2,456,410	99.962%
2019	2,679,049	2,629,318	98.144%	16,951	2,646,269	98.776%

(1) Total amount of delinquent taxes collected in each fiscal year; information regarding levy year to which delinquent tax collections pertain is not provided by the Orange County Auditor- Controller.

Source: Orange County Auditor - Controller

CITY OF LOS ALAMITOS
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita)

Fiscal Year	Governmental Activities		Total Primary Government	Debt as a Percentage of Personal Income ¹	Debt Per Capita ¹
	Certificates of Participation	Capital Lease			
2010	\$ 3,235	-	\$ 3,235	0.781%	\$265.14
2011	\$ 3,175	-	\$ 3,175	0.789%	\$258.76
2012	\$ 3,110	-	\$ 3,110	0.743%	\$269.10
2013	\$ 3,055	-	\$ 3,055	0.693%	\$262.77
2014	\$ 2,970	-	\$ 2,970	0.668%	\$253.22
2015	\$ 2,895	-	\$ 2,895	0.662%	\$246.91
2016	\$ 3,685	-	\$ 3,685	0.874%	\$313.94
2017	\$ 3,615	270	\$ 3,885	0.912%	\$330.95
2018	\$ 3,545	204	\$ 3,749	0.871%	\$319.36
2019	\$ 3,475	137	\$ 3,612	0.869%	\$308.16

¹ Ratio is calculated using personal income and population data for the prior calendar year.

Source: City of Los Alamitos, Finance Department

CITY OF LOS ALAMITOS
 Direct and Overlapping Governmental Activity Debt
 As of June 30, 2019
 (amounts expressed in thousands)

2018-2019 Taxable Assessed Valuation: \$ 2,157,237

	<u>Total Debt 6/30/2019</u>	<u>Percent Applicable to City (1)</u>	<u>City's Share of Debt 6/30/2019</u>
<u>DIRECT DEBT</u>			
Vehicle Lease Debt	\$ 137	100.000%	137
Bonded Debt	3,475	100.000%	3,475
TOTAL DIRECT DEBT			\$ 3,612
<u>OVERLAPPING DEBT:</u>			
Anaheim High 2002 Bond Series 2003	\$ 18,744	0.076%	\$ 14
Anaheim High 2002 Bond Series 2002A	45,674	0.076%	35
Los Alamitos SFID #1 2008 Series 2009	25,385	22.746%	5,774
Cypress Elementary 2008 Bond Series A	14,334	0.499%	72
Garden Grove USD 2010 Series A&B	2,125	0.009%	-
Los Alamitos SFID #1 2008 Series 2010	2,000	22.746%	455
Los Alamitos SFID #1 2008 Series 2010C	2,000	22.746%	455
Garden Grove USD 2010 Series B	118,100	0.009%	11
Los Alamitos SFID #1 208 Series D	19,000	22.746%	4,322
Cypress Elementary 2008 Bond, Series B1 & B2	22,955	0.499%	115
Los Alamitos SFID #1 208 Series E	106,320	22.746%	24,184
Garden Grove USD 2010 Series C	117,215	0.009%	11
Anaheim High 2014 Bond Series 2015	47,045	0.076%	36
Garden Grove USD 2016 Series 2017	158,750	0.009%	14
Anaheim High 2018 Bond Series 2014	83,000	0.076%	63
Metropolitan Water District	9,744	0.411%	\$ 40
TOTAL OVERLAPPING DEBT			35,601
TOTAL DIRECT & OVERLAPPING DEBT			\$ 39,213

- (1) Percentage of overlapping agency's assessed valuation located within the boundaries of the City.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Assessed Valuation:

Total Direct Debt.....	0.17%
Overlapping Debt.....	1.65%
Net Combined Total Debt.....	1.82%

Source - HdL Coren & Cone, Orange County Assessor and Auditor Combined 2018/19 Lien Date Tax Rolls

CITY OF LOS ALAMITOS
 Legal Debt Margin Information
 Last Ten Fiscal Years

Legal Debt Margin Calculation for the Current Year

Assessed value	\$ 2,157,237,419
Debt limit (15% of assessed value)	323,585,613
Debt applicable to limit	<u>0</u>
Legal debt margin - Current Year	<u><u>\$ 323,585,613</u></u>

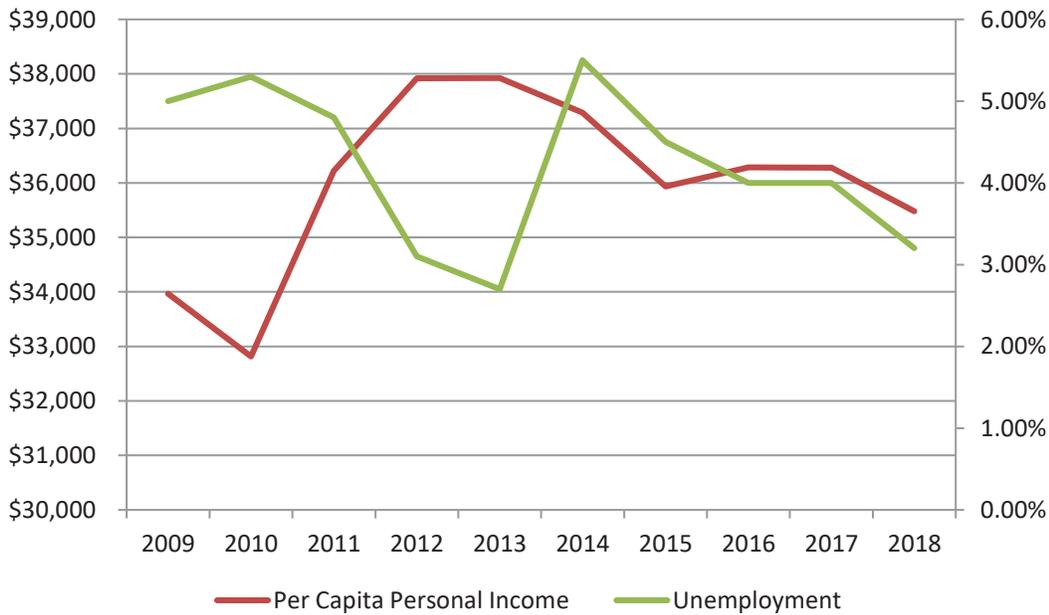
Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2010	238,450,720	0	237,073,010	0
2011	242,410,136	0	238,450,720	0
2012	240,628,038	0	240,628,038	0
2013	245,805,113	0	245,805,113	0
2014	250,398,597	0	250,398,597	0
2015	266,419,511	0	266,419,511	0
2016	282,098,369	0	282,098,369	0
2017	294,161,529	0	294,161,529	0
2018	309,897,790	0	309,897,790	0
2019	323,585,613	3,612,467	319,973,146	1.12%

Source: City of Los Alamitos, Finance Department

CITY OF LOS ALAMITOS
 Demographic and Economic Statistics
 Last Ten Calendar Years

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2009	12,201	414,466	33,970	5.00%
2010	12,270	402,640	32,815	5.30%
2011	11,557	418,606	36,221	4.80%
2012	11,626	440,823	37,917	3.10%
2013	11,729	444,811	37,924	2.70%
2014	11,725	437,214	37,289	5.50%
2015	11,738	421,786	35,933	4.50%
2016	11,739	425,943	36,284	4.00%
2017	11,863	430,396	36,280	4.00%
2018	11,721	415,852	35,479	3.20%

Per Capita Personal Income and Unemployment



Sources: Population: California State Department of Finance
 Unemployment Rate: California Employment Development Department
 Personal Income and Per Capita Income: ESRI

CITY OF LOS ALAMITOS
 Full-Time Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government							
City Council	5	5	5	5	5	5	5
Administration	9	8	8	8	8	8	8
Community Development							
Administration	2	2	2	1	1	1	1
Planning	1	1	1	1	1	1	1
Code Enforcement	1	1	1	1	1	1	1
Police							
Administration	4	4	4	4	4	4	4
Patrol	18	19	19	19	19	19	19
Investigation	3	3	3	3	3	3	3
Records	2	2	2	2	2	2	2
Crossing Guards	2	2	2	3	3	3	3
Other PD Support	2	2	2	2	2	2	2
Public Works							
Admin/Engineering	2	1	1	1	1	1	1
Maintenance	11	10	10	10	10	10	10
Mechanic	1	1	1	1	1	1	1
Recreation & Community Services							
Administration	4	4	4	5	5	5	5
Recreation/Cultural	19	18	17	15	15	15	15

Source: City of Los Alamitos, Administrative Services Department

<u>2017</u>	<u>2018</u>	<u>2019</u>
5	5	5
8	8	8
1	1	1
1	1	1
1	1	1
4	4	4
19	18	18
3	3	3
2	2	2
1	1	1
2	2	2
1	1	1
10	9	9
1	0	0
5	4	4
14	11	11

CITY OF LOS ALAMITOS
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Community Development						
Number of:						
Business licenses	1,900	1,921	2,048	1,964	2,089	2,227
Plan checks	74	105	119	141	110	95
NPDES inspections	53	240	152	126	57	104
Code violations	442	402	352	97	147	121
Police						
Number of:						
Part 1 crimes	326	347	356	433	330	299
Parking violations	2,382	2,389	1,893	1,532	1,766	3,283
Traffic (moving) violations	1,848	1,810	1,877	2,177	2,354	1,786
Incident & crime reports	1,380	1,320	1,356	1,361	1,293	1,381
Public Works						
Square yd of street resurfacing/repair	64,600	2,500	11,600	38,800	20,000	15,000
Miles of street sweeping	33	33	33	33	33	33
Number of:						
Street signal maintained	24	24	24	24	25	25
Trees pruned per year	200	500	1,230	632	620	615
Square feet graffiti removal	1,800	1,700	1,625	1,650	1,550	1,245
Recreation & Community Services						
Total in attendance:						
Aquatics	210,000	215,000	225,000	230,000	232,000	235,000
Community Services/Seniors	10,000	9,500	9,700	9,800	10,500	10,500
Day Camp	2,400	2,500	2,500	2,600	2,800	2,900
Park Program	1,000	1,100	1,250	1,400	2,600	4,385
Sports	N/A	N/A	N/A	N/A	N/A	N/A
Classes	6,500	6,600	6,400	6,400	6,300	6,900
Special Events	35,000	36,000	37,900	40,000	41,470	34,200

NA - Not Available

Source: City of Los Alamitos, Finance Department

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
2,169	2,068	2,153	1,806
96	93	108	98
60	60	157	85
267	267	483	420
252	268	209	193
3,963	2,997	4,043	4,221
1,473	2,885	1,430	1,114
1,167	1,254	896	752
-	-	-	-
33	33	33	33
25	25	25	25
991	991	991	991
1,205	1,205	1,205	1,205
163,000	0	0	0
13,180	14,000	14,100	18,390
2,800	3,000	4,040	3,500
4,262	4,140	4,040	3,000
35,500	30,000	30,500	28,234
8,900	8,900	8,800	10,300
30,475	34,820	35,000	38,225

CITY OF LOS ALAMITOS
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Community Development	.			
Code enforcement vehicles	1	1	1	1
Police				
Stations	1	1	1	1
Patrol Vehicles	8	8	7	7
Other Vehicles	9	9	8	8
Public Works				
Streets (Miles)	32.9	32.9	32.9	32.9
Street lights	910	910	910	910
Traffic signals	24	24	24	24
Public works vehicles	12	12	13	13
Recreation & Community Services				
Youth centers	1	1	1	1
Community centers	1	1	1	1
Parks	9	9	9	9
Community service vehicles	2	2	2	2

Source: City of Los Alamitos, Administrative Services Department

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1	1	1	1	1	1
1	1	1	1	1	1
7	7	7	8	8	8
9	9	9	9	9	9
32.9	32.9	32.9	32.9	32.9	32.9
911	911	911	911	911	911
25	25	25	25	25	25
13	13	13	13	11	11
1	1	1	1	1	1
1	1	1	1	1	1
9	9	9	9	9	9
2	2	2	2	3	3





December 24, 2019

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos, California (the City), for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 17, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements.

As described in Note 1 to the financial statements, the City changed accounting policies related to certain debt disclosures by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, in fiscal year 2018-2019. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the financial statement footnote disclosures.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimates of its net pension liability and net other post-employment benefits liability based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the net pension liability and net other postemployment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.



To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 24, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis, budgetary comparison schedule for the general fund, the schedule of proportionate share of the net pension liability, the schedule of plan contributions, and the schedule of changes in total OPEB liability and related ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

We were engaged to report on the combining statements and individual fund statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory sections and statistical sections, which accompany the financial statements but are not RSI. Such information has 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 it.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2018-2019 audit:

GASB Statement No. 83, Certain Assets Retirement Obligations.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2019-2020

GASB Statement No. 84, Fiduciary Activities.

GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statement No. 14 and No. 61.

Fiscal year 2020-2021

GASB Statement No. 87, Leases.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

Fiscal year 2021-2022

GASB Statement No. 91, Conduit Debt Obligations.



CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

Restriction on Use

This information is intended solely for the use of City Council and management of the City of Los Alamitos and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Solt & Lingham, LLP

Brea, California



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

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 24, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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





CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

Purpose of this Report

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

Lance, Solt & Lughard, LLP

Brea, California
December 24, 2019