



CITY OF Los Alamitos

California



COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2020

City of Los Alamitos

Los Alamitos, California

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by the
Finance Department of Los Alamitos

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City of Los Alamitos
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

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November 28, 2020

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, 2020.

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 Gruber and Associates, Inc., 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, 2020. 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 11,401 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

In March 2020 the COVID-19 pandemic was declared and the resulting stay-at-home order and closing of all business activity led to a significant reduction in City revenues, including sales and TOT taxes and City fees normally received for various City programs and services from recreation and building activity.

On June 15, 2020, the 2020-21 City Budget was adopted with over a \$1.3M budget gap cost reductions included to cover the projected structural deficit of \$1.347M. These service reductions implemented included cutting 10 FT City staff positions including four police and one code enforcement officer positions; reorganization of the Recreation and Development Services Departments; salary reductions for non-safety personnel; and other cost saving measures. While these steps allowed the City to adopt a balanced budget, they are not sustainable through the next budget cycle.

Long-Term Financial Planning and Major Initiatives

As of June 30, 2020, the City's General Fund had fund balance unassigned, assigned and committed of approximately \$11.9 million. Of this amount, \$3.4 million is committed for emergencies, \$3.6 million assigned for PERS reserves, \$500,000 assigned for retiree medical insurance benefits and approximately \$296,000 is assigned for encumbrances. Nonspendable fund balance consists primarily of prepaid amounts for the 2020-21 Fiscal Year, which were paid during the 2019-20 Fiscal Year.

Annually, the City updates a seven (7) year Capital Improvement Program (CIP). The Capital Improvement Program for Fiscal Year 2020-21 totals \$1,694,531, which includes \$849,721 carried forward from Fiscal Year 2019-20. Projects include, but are not limited to, Suburbia Rehabilitation, street maintenance and arterial and residential tree trimming. The Capital Improvement Program continues to provide a significant amount of funding for streets.

Every year the City strives to adopt a balanced budget, ensuring short-term spending and long-term goals are being met. However, the City projects budgetary shortfalls in the next fiscal year and will deplete its cash by 2024/2025 if a permanent solution is not implemented quickly. Rising pension costs, and uncontrollable expenses related to state-mandates are a few of the reasons for the projected shortfall. The COVID-19 pandemic has further eroded revenues and increased costs. To combat this, the City has embarked on a Fiscal Sustainability plan to increase awareness of its financial condition. The City conducted a series of community meetings and registered voter surveys to gauge the support for a local sales tax adjustment that will be pursued in the next 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, 2019. 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. 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,



Chet Simmons
City Manager



Craig Koehler
Interim Finance Director

CITY OF LOS ALAMITOS

ORGANIZATIONAL CHART



CITY OF LOS ALAMITOS

DIRECTORY OF OFFICIALS (as of June 30, 2020)

CITY COUNCIL

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

APPOINTED OFFICIALS

Chet Simmons, City Manager
Michael S. Daudt, City Attorney
Windmera Quintanar, City Clerk

EXECUTIVE MANAGEMENT

Eric R. Nunez, Chief of Police
Craig A. Koehler, Interim Finance Director
Ron Noda, Acting Development Services Director
Emeline Noda, Acting Recreation and Community Services Director
Chelsi Wilson, Executive Assistant to the City Manager
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, 2019

Christopher P. Morill

Executive Director/CEO

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An Independent CPA Firm

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos, California (the "City"), as of and for the year ended June 30, 2020, 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule-General Fund, Budgetary Comparison Schedule-Traffic Improvement Capital Project Fund, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions - Pension, and Schedule of Changes in Net OPEB Liability and Related Ratios on pages 62 to 63 and 65 to 67, 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

To the Honorable Mayor and Members of the City Council
of the City of Los Alamitos
Los Alamitos, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2020, 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.

GruberandAssociates,Inc.

Gruber and Associates, Inc.

Newport Beach, California
November 28, 2020

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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, 2020. 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 non-major governmental funds are 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 non-major 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,	
	2019	2020
Current and other assets	\$ 13,106,630	\$ 14,973,772
Capital assets	18,941,430	19,078,843
Total assets	<u>32,048,060</u>	<u>34,052,615</u>
Deferred outflows of resources	4,906,900	7,345,857
Current liabilities	1,916,207	1,965,028
Noncurrent liabilities:		
Long-term debt	3,954,222	3,633,743
Net OPEB liability	4,712,480	6,568,452
Net pension liability	18,853,613	20,419,171
Total liabilities	<u>29,436,522</u>	<u>32,586,394</u>
Deferred inflows of resources	1,599,615	2,869,529
Net position:		
Net investment in capital assets	15,314,659	15,776,298
Restricted	1,350,083	1,452,784
Unrestricted	<u>(10,745,919)</u>	<u>(11,286,533)</u>
Total net position	\$ 5,918,823	\$ 5,942,549

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$5,942,549 as of June 30, 2020, an increase of \$23,726 from June 30, 2019.

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 \$11.3 million as of June 30, 2020, 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, 2020 and the prior fiscal year is illustrated in Table 2 below.

TABLE 2
Changes in Net Position

	Governmental Activities - June 30,	
	2019	2020
Revenues		
Program revenues:		
Charges for services	\$ 2,852,999	\$ 3,339,011
Operating contributions and grants	442,188	627,872
Capital contributions and grants	254,260	248,719
General revenues:		
Taxes:		
Property taxes	3,945,959	4,168,970
Utility users tax	1,967,627	1,988,464
Sales taxes	3,597,155	3,227,469
Franchise taxes	687,539	610,692
Business licenses	684,310	729,901
Other taxes	717,207	563,820
Investment income	271,249	254,427
Other	115,865	241,838
Total revenues	15,536,358	16,001,183
Expenses		
General government	3,135,018	3,585,997
Public safety	6,555,875	6,912,597
Community development	985,825	1,091,012
Recreation and community services	1,746,298	1,757,847
Public works	2,414,922	2,571,541
Interest on long-term debt	142,353	58,463
Total expenditures	14,980,291	15,977,457
Change in net position	556,067	23,726
Net position, beginning, as restated	5,362,756	5,918,823
Net position, ending	\$ 5,918,823	\$ 5,942,549

**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 \$23,726 compared to a net increase of \$556,067 in the prior year. Key elements of this year's activity in relation to the prior year are as follows:

Revenues:

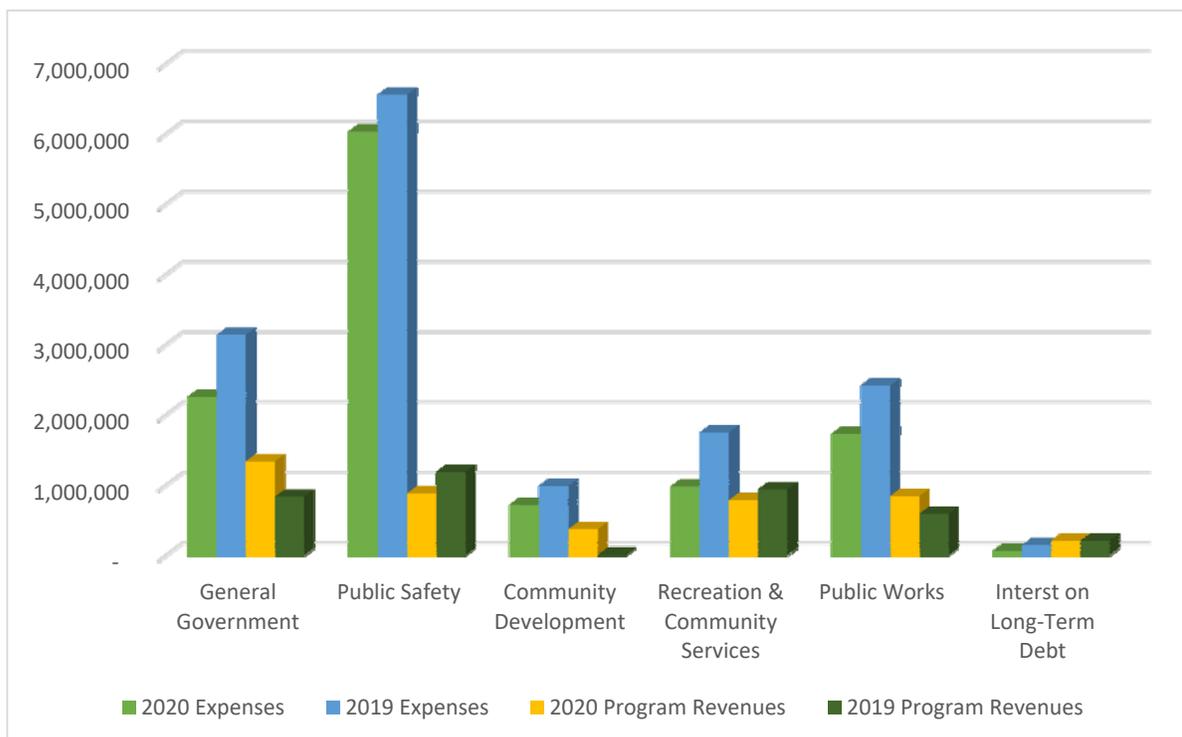
- While variances between years exist for the various revenue categories, the total net increase was \$464,825, which is largely attributable to the \$223,011 (5.7%) increase in property tax. This was attributable to increasing property values. Additionally, the City received increased charges for services, increased operating contributions and grants, and increases in other tax revenues.

Expenses:

While variances between years exist for the various expense functions, the total net increase was \$997,166. Increased expenditures were recognized in General Government, Public Safety, Community development, and Public Works. 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 below represents 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 \$11,925,924, an increase of \$1,810,044 (18 percent) from the prior fiscal year's balance. \$4,396,4637 or 37% 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*. \$1,452,784 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 \$1,440,930 during the fiscal year compared to a \$1,111,936 increase in the prior year. The increase in the current year is primarily attributable to the increase in property tax revenue.

The Traffic Improvement Capital Project Fund increased by \$15,543 during the fiscal year compared to a \$22,422 increase 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 \$353,571. While variances between years exist for the various nonmajor governmental funds, the net increase 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 \$461,492 more than the final budgeted amount, which is primarily due to better than projected licenses and permits. The expenditures for the General Fund at fiscal year-end were \$1,215,410 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 \$254,450. The increase in budgeted appropriations is primarily due to an increase in public safety and public works departments, which was 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 2019-20, the City had \$19.08 million invested in capital assets, including land, buildings, infrastructure, and equipment. This amount represents a net increase of \$137,413, which is primarily due to additions in equipment and infrastructure. There was a net increase of \$72,763 in capital asset additions, which was offset by \$464,209 of depreciation expense.

TABLE 4
City of Los Alamitos Capital Assets Net of Depreciation

	Governmental Activities	
	2019	2020
Land	\$ 5,917,715	\$ 5,917,715
Buildings and Improvements	843,478	801,085
Equipment	365,410	314,962
Vehicles	176,285	89,408
Infrastructure	11,573,881	11,394,619
Construction in progress	\$ 64,661	561,054
Totals	<u>\$ 18,941,430</u>	<u>\$ 19,078,843</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 2019-20, the City had \$4.10 million in long-term liabilities which includes outstanding bond indebtedness of \$3.40 million along with a capital lease, claims payable and compensated absences. The net decrease of \$456,864 over the prior year is due to debt payments made to the 2015 Certificates of Participation and the capital lease and decrease in claims payable.

TABLE 5
City of Los Alamitos Long-Term Liabilities

	Governmental Activities	
	2019	2020
2015 Certificates of participation	\$ 3,475,000	\$ 3,400,000
Capital lease - police vehicles	137,467	69,062
Claims payable	573,499	275,473
Compensated absences	375,686	360,273
Total liabilities	<u>\$ 4,561,652</u>	<u>\$ 4,104,788</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The economy has experienced dramatic changes with the onset of the COVID-19 pandemic in March 2020, from both operational and regulatory impacts. As the economic effects from the coronavirus continues, we are witnessing an event that also has an unprecedented level of fluidity. The swift reaction by consumers and businesses has caused a massive decrease in spending on certain goods and services. Financial information, as well as federal and state regulatory stances are changing rapidly, as the economy and businesses are reacting to consumer purchasing patterns and other fluctuations in the market. The resulting stay-at-home order and closing of all business activity led to a significant reduction in City revenues, including sales and TOT taxes and City fees normally received for various City programs and services from recreation and building activity.

On June 15, 2020, the 2020-21 City Budget was adopted with over a \$1.3M budget gap cost reductions and steps to cover the projected structural deficit of \$1.347M. While these actions allowed the City to adopt a balanced budget, they are not sustainable through the next budget cycle. The appropriations for all budgeted funds for Fiscal Year 2019-20 is \$17,051,433. The General Fund operating budgeted was balanced with operating revenues of \$13,640,247 and operating expenditures of \$13,625,724.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LOS ALAMITOS

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments (Note 3)	\$ 13,725,779
Receivables	
Accounts	435,022
Accrued interest	46,604
Due from employees	1,450
Due from other governments	752,003
Prepaid costs	12,665
Cash and investments - restricted (Note 3)	249
Total current assets	<u>14,973,772</u>
Noncurrent assets:	
Capital assets: (Note 5)	
Non-depreciable	6,478,769
Depreciable, net	12,600,074
Total capital assets	<u>19,078,843</u>
Total noncurrent assets	<u>19,078,843</u>
Total assets	<u>34,052,615</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding (Note 7)	97,455
Pension deferrals (Note 9)	4,704,470
OPEB deferrals (Note 10)	2,543,932
Total deferred outflows of resources	<u>7,345,857</u>

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS
Statement of Net Position (Continued)
June 30, 2020

	Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable	956,906
Accrued liabilities	243,590
Accrued interest	35,018
Unearned revenue	213,694
Deposits payable	44,755
Compensated absences, due within one year (Note 6)	143,908
Bonds payable, due within one year (Note 7)	75,000
Capital leases, due within one year (Note 7)	69,062
Claims payable, due within one year (Note 12)	183,095
Total current liabilities	1,965,028
Noncurrent liabilities:	
Compensated absences (Note 6)	216,365
Bonds payable (Note 7)	3,325,000
Claims payable (Note 12)	92,378
Other post-employment benefits liability (Note 10)	6,568,452
Net pension liability (Note 9)	20,419,171
Total noncurrent liabilities	30,621,366
Total liabilities	32,586,394
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals (Note 9)	1,920,057
OPEB deferrals (Note 10)	949,472
Total deferred inflows of resources	2,869,529
NET POSITION	
Net investment in capital assets	15,776,298
Restricted for:	
Cable television	66,050
Transportation	434,676
Public safety	214,723
Air quality	115,169
Parks	622,166
Total restricted	1,452,784
Unrestricted (Deficit)	(11,286,533)
Total net position	\$ 5,942,549

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total Program Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,585,997	\$ 1,334,984	\$ -	\$ -	\$ 1,334,984
Public safety	6,912,597	710,816	170,879	-	881,695
Community development	1,091,012	3,466	370,434	-	373,900
Recreation and community services	1,757,847	781,434	-	-	781,434
Public works	2,571,541	508,311	86,559	248,719	843,589
Interest and fiscal charges	58,463	-	-	-	-
Total governmental activities	\$ 15,977,457	\$ 3,339,011	\$ 627,872	\$ 248,719	\$ 4,215,602

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS
Statement of Activities (Continued)
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Net (expense) Revenue and Changes in Net Position</u>
Governmental activities:	
General government	\$ (2,251,013)
Public safety	(6,030,902)
Community development	(717,112)
Recreation and community services	(976,413)
Public works	(1,727,952)
Interest and fiscal charges	(58,463)
Total governmental activities	<u>(11,761,855)</u>
General revenues:	
Taxes:	
Property taxes, levied for general purpose	4,168,970
Utility users tax	1,988,464
Transient occupancy tax	132,449
Sales taxes	3,227,469
Franchise fees	610,692
Business license taxes	729,901
Other taxes	563,820
Total taxes	11,421,765
Investment earnings	254,427
Other	109,389
Total general revenues	<u>11,785,581</u>
Change in net position	23,726
Net position - beginning of year	<u>5,918,823</u>
Net position - end of year	<u>\$ 5,942,549</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Funds of the City are outlined below:

General Fund - The General Fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Hermosa Beach, these services include general government, safety, community development, culture and recreation and public works.

Traffic Improvement Fund – The Traffic Improvement Fund is used to account for the costs associated with the capital projects for traffic improvement.

Nonmajor Governmental Funds - Nonmajor Governmental Funds is the aggregate of all the nonmajor governmental funds.

CITY OF LOS ALAMITOS

Balance Sheet

Governmental Funds

June 30, 2020

		Capital Projects Fund		
	General	Traffic Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3)	\$ 10,146,794	\$ 193,781	\$ 1,551,040	\$ 11,891,615
Receivables:				
Accounts	428,733	-	6,139	434,872
Accrued interest	46,604	-	-	46,604
Due from employees	1,450	-	-	1,450
Due from other governments	697,941	-	54,062	752,003
Due from other funds (Note 4)	5,072	-	-	5,072
Prepaid costs	12,665	-	-	12,665
Cash and investments - restricted (Note 3)	-	-	249	249
Total assets	<u>\$ 11,339,259</u>	<u>\$ 193,781</u>	<u>\$ 1,611,490</u>	<u>\$ 13,144,530</u>
OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 694,972	\$ -	\$ 16,523	\$ 711,495
Accrued liabilities	243,590	-	-	243,590
Unearned revenues	76,915	136,779	-	213,694
Deposits payable	42,234	-	2,521	44,755
Due to other funds (Note 4)	-	-	5,072	5,072
Total liabilities	<u>1,057,711</u>	<u>136,779</u>	<u>24,116</u>	<u>1,218,606</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances: (Note 14)				
Nonspendable	14,115	-	-	14,115
Restricted	-	57,002	1,395,782	1,452,784
Committed	3,406,431	-	117	3,406,548
Assigned	4,415,979	-	200,458	4,616,437
Unassigned	2,445,023	-	(8,983)	2,436,040
Total fund balances	<u>10,281,548</u>	<u>57,002</u>	<u>1,587,374</u>	<u>11,925,924</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,339,259</u>	<u>\$ 193,781</u>	<u>\$ 1,611,490</u>	<u>\$ 13,144,530</u>

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

June 30, 2020

Total Fund Balances - Total Governmental Funds		\$ 11,925,924
<p>Amounts reported for governmental activities in the Statement of Net Position were reported differently because:</p> <p>Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.</p>		
Nondepreciable	\$ 6,478,769	
Depreciable, net of Internal Service Fund of \$515,272	<u>12,084,802</u>	
Total capital assets		18,563,571
<p>Internal Service Funds are used by management to charge garage costs; technology replacement costs; police capital expenditures; facilities, street, parks, and pool capital expenditures; and self-insurance costs to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-wide Statement of Net Position.</p>		
Total Internal Service Funds		1,758,064
<p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:</p>		
Bonds payable	(3,400,000)	
Interest payable, net of Internal Service Fund of \$1,576	(33,442)	
Deferred charge on refunding	97,455	
Compensated absences	<u>(360,273)</u>	(3,696,260)
<p>Deferred amounts relates to pension not available for current expenditures and are not reported in the governmental fund financial statements:</p>		
Pension related deferred outflows of resources		4,704,470
Pension related deferred inflows of resources		(1,920,057)
<p>Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.</p>		
		(20,419,171)
<p>Deferred amounts relates to other postemployment benefits not available for current expenditures and are not reported in the governmental fund financial statements:</p>		
OPEB related deferred outflows of resources		2,543,932
OPEB related deferred inflows of resources		(949,472)
<p>Net OPEB asset is not due and payable in the current period and therefore is not reported in the governmental funds.</p>		
		<u>(6,568,452)</u>
Net position of governmental activities		<u>\$ 5,942,549</u>

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	<u>General</u>	<u>Traffic Improvement</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$ 10,839,332	\$ -	\$ -	\$ 582,433	\$ 11,421,765
Licenses and permits	1,461,619	-	-	-	1,461,619
Intergovernmental	385,307	-	-	298,488	683,795
Charges for services	801,443	12,067	-	496,244	1,309,754
Investment earnings	219,932	3,476	-	31,019	254,427
Fines and forfeitures	664,332	-	-	29,941	694,273
Program revenues	-	-	-	235,050	235,050
Miscellaneous	59,493	-	-	6,833	66,326
Total revenues	<u>14,431,458</u>	<u>15,543</u>	<u>-</u>	<u>1,680,008</u>	<u>16,127,009</u>
EXPENDITURES:					
Current:					
General government	2,365,915	-	-	38,663	2,404,578
Public safety	5,540,106	-	-	45,152	5,585,258
Community development	1,052,034	-	-	-	1,052,034
Recreation and community services	1,614,618	-	-	-	1,614,618
Public works	1,928,855	-	-	53,663	1,982,518
Capital outlay	-	-	-	865,436	865,436
Debt service:					
Principal	-	-	-	75,000	75,000
Interest and fiscal charges	-	-	-	136,523	136,523
Total expenditures	<u>12,501,528</u>	<u>-</u>	<u>-</u>	<u>1,214,437</u>	<u>13,715,965</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,929,930</u>	<u>15,543</u>	<u>-</u>	<u>465,571</u>	<u>2,411,044</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (Note 4)	460,000	-	-	348,000	808,000
Transfers out (Note 4)	(949,000)	-	-	(460,000)	(1,409,000)
Total other financing sources (uses)	<u>(489,000)</u>	<u>-</u>	<u>-</u>	<u>(112,000)</u>	<u>(601,000)</u>
NET CHANGE IN FUND BALANCE	1,440,930	15,543	-	353,571	1,810,044
Fund balances, beginning of year	<u>8,840,618</u>	<u>41,459</u>	<u>-</u>	<u>1,233,803</u>	<u>10,115,880</u>
Fund balances, end of year	<u>\$ 10,281,548</u>	<u>\$ 57,002</u>	<u>\$ -</u>	<u>\$ 1,587,374</u>	<u>\$ 11,925,924</u>

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Governmental-wide Statement of Activities
For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 1,810,044

Governmental activities in the Statement of Activities were reported differently because:

Governmental Funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital assets recorded in the current period is listed below.

Total capital outlay expenditures reported in governmental funds	\$ 865,436	
Less: repair and maintenance expenditures	<u>(263,386)</u>	
Total capital outlay		602,050

Depreciation expense of capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds except for the Internal Service fund amount listed below.

Total depreciation reported in Government-wide Statement of Activities	(464,209)	
Less: depreciation reported in the Internal Service Fund	<u>101,532</u>	
Total		(362,677)

Earned but unavailable revenues reported in the governmental funds balance sheet as deferred inflows of resources should be recognized in the Government-wide Statement of Activities as revenue regardless of availability.		(170,339)
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Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(1,985,336)
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Certain other postemployment benefit expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(261,512)
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Compensated absences were reported in the Government-wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds.		15,413
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The issuance of long-term debt provides current financial resources to governmental funds. However, the repayment reduces long-term liabilities in the governmental activities Statement of Net Position.		75,000
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Amortization of deferred charge on refunding does not use current financial resources and therefore not reported as expenditures in the governmental funds.		79,342
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police capital expenditures; facilities, street, parks, and pool capital expenditures; and self-insurance costs to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.		<u>221,741</u>
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Change in net position of governmental activities		<u>\$ 23,726</u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

Internal Service Funds - To account for the costs associated with the City's insurance, for funding equipment replacement, and fleet maintenance.

CITY OF LOS ALAMITOS
Statement of Net Position
Proprietary Funds
June 30, 2020

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and investments (Note 3)	\$ 1,834,164
Account receivables	150
Total current assets	<u>1,834,314</u>
Noncurrent assets:	
Capital assets - net of accumulated depreciation (Note 5)	<u>515,272</u>
Total noncurrent assets	<u>515,272</u>
Total assets	<u>2,349,586</u>
LIABILITIES	
Current liabilities:	
Accounts payable	245,411
Accrued interest	1,576
Accrued claims and judgements	183,095
Capital leases (Note 7)	<u>69,062</u>
Total current liabilities	<u>499,144</u>
Long-term liabilities:	
Accrued claims and judgements	<u>92,378</u>
Total long-term liabilities	<u>92,378</u>
Total liabilities	<u>591,522</u>
NET POSITION	
Net investment in capital assets	446,210
Unrestricted	<u>1,311,854</u>
Total net position	<u>\$ 1,758,064</u>

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2020

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Charges for services	
Garage	\$ 304,026
Police capital	40,000
Technology replacement	160,000
Miscellaneous	43,062
Total operating revenues	547,088
OPERATING EXPENSES:	
Supplies and materials	195,762
Outside services	100,884
Claims expense	804,674
Depreciation	101,532
Total operating expenses	1,202,852
OPERATING INCOME	(655,764)
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(1,282)
Loss on disposal of capital assets	(6,404)
Total non-operating revenues (expenses)	(7,686)
INCOME BEFORE TRANSFERS	(663,450)
Transfers in (Note 4)	601,000
Total transfers	601,000
Change in net position	(62,450)
Net position, beginning of year	1,820,514
Net position, end of year	\$ 1,758,064

See accompanying notes to the basic financial statements.

CITY OF LOS ALAMITOS
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2020

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from interfund charges for garage services	\$ 304,026
Receipts from interfund charges for police capital services	40,000
Receipts from interfund charges for technology replacement services	161,618
Payments to suppliers and service providers	(299,575)
Cash received from (payments to) others	<u>(638,040)</u>
Net cash provided (used by) operating activities	<u>(431,971)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in	<u>601,000</u>
Net cash provided (used by) non-capital financing activities	<u>601,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(5,977)
Principal paid on capital debt	(68,405)
Interest paid on capital debt	<u>(2,235)</u>
Net cash provided (used by) capital and related financing activities	<u>(76,617)</u>
Net increase (decrease) in cash and cash equivalents	92,412
Cash and equivalents, beginning of year	<u>1,741,752</u>
Cash and equivalents, end of year	<u><u>\$ 1,834,164</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (655,764)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	101,532
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	23,733
Increase (decrease) in accounts payable	146,554
Increase (decrease) in claims and judgements	<u>(48,026)</u>
Total adjustments	<u>223,793</u>
Net cash provided (used) by operating activities	<u><u>\$ (431,971)</u></u>

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Los Alamitos
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Los Alamitos, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies:

A. Financial Reporting Entity

The City was incorporated on 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.

Management determined that the following entities should be reported as blended component units based on the criteria above. Each blended component unit has a June 30 year-end, has a governing board that is substantially the same as the City’s, there is a financial benefit or burden relationship between the City and the blended component unit, and the City is financially accountable for each of the blended component units.

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 Accounting and Measurement Focus

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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (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.

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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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.

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.

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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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.

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.

C. 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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments (Continued)

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.

D. 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.”

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.

E. 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.

F. 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

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

G. *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.

H. *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.

I. *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.

J. *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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Deferred Outflows and Inflows of Resources (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.

K. 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.

L. 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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

M. 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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

N. 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.

O. 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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

P. 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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. 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.

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.

R. 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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

S. 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.

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, 2020.

B. Deficit Fund Balance

At June 30, 2020, the Community Development Block Grant (CDBG) nonmajor special revenue fund reported a deficit fund balance of \$8,983. 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.

Note 3 – Cash and Investments

A. Summary of Cash and Investments

At June 30, 2020, the City reported \$13,725,779 in unrestricted cash and investments and \$249 in restricted cash and investments held with fiscal agents for a total cash and investment balance of \$13,726,028. Total cash and investments consisted of the following:

Cash on hand	\$ 3,500
Demand deposits	1,676,652
Investments	12,045,876
Total Cash and Investments	\$ 13,726,028

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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3 – Cash and Investments (Continued)

B. Cash Deposits

The carrying amounts of the City’s cash deposits were \$1,676,552 at June 30, 2020. Bank balances before reconciling items were \$1,788,984 at that date. The difference of \$112,432 represents outstanding checks, cash deposits in transit, and other reconciling items.

All City’s cash and investments as of June 30, 2020, 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.

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 Tern Notes	5 years	30%	None
Negotiable Certificates for Deposits	None	30%	None
Local Agency Investment Fund (LAIF)	None	None	None

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3 – Cash and Investments (Continued)

C. 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	
Certificates of Deposit	\$ 247,579	\$ 983,374	\$ 495,047	\$ 1,726,000
Local Agency Investment Fund (LAIF)	10,319,627	-	-	10,319,627
Investment held by Bond Trustee:				
Money Market Mutual Funds	249	-	-	249
Total	\$10,567,455	\$ 983,374	\$ 495,047	\$ 12,045,876

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (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+
Certificates of Deposit	\$ 1,726,000	N/A	\$ 1,726,000	\$ -	\$ -
Local Agency Investment Fund (LAIF)	10,319,627	Not Rated	10,319,627	-	-
Investments held by Bond Trustee:					
Money Market Mutual Funds	249	N/A	-	-	249
Totals	\$ 12,045,876		\$ 12,045,627	\$ -	\$ 249

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, 2020, 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.

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, 2020, City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (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, 2020:

Investments	Totals	Level		
		1	2	Uncategorized
Certificates of Deposit	\$ 1,726,000	\$ -	\$ 1,726,000	\$ -
Local Agency Investment Fund (LAIF)	10,319,627	-	-	10,319,627
Investment Held by Fiscal Agent				
Money Market Funds	249	249	-	-
Totals	<u>\$ 12,045,876</u>	<u>\$ 249</u>	<u>\$ 1,726,000</u>	<u>\$ 10,319,627</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>\$ 5,072</u>

B. Transfers In/Out

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 460,000	\$ 460,000
Nonmajor Governmental Funds	348,000	-	348,000
Internal Service Funds	601,000	-	601,000
Total	<u>\$ 949,000</u>	<u>\$ 460,000</u>	<u>\$ 1,409,000</u>

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 4 – Interfund Transactions (Continued)

B. Transfers In/Out (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, 2020 are as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,917,715	\$ -	\$ -	\$ 5,917,715
Construction in progress	64,661	641,219	(144,826)	561,054
Total capital assets not being depreciated	<u>5,982,376</u>	<u>641,219</u>	<u>(144,826)</u>	<u>6,478,769</u>
<i>Capital assets being depreciated:</i>				
Equipment	1,289,764	9,138	-	1,298,902
Vehicles	1,136,178	-	(36,827)	1,099,351
Buildings	1,928,998	-	-	1,928,998
Improvements	366,268	-	-	366,268
Infrastructure	13,829,739	144,826	(44,374)	13,930,191
Total capital assets being depreciated	<u>18,550,947</u>	<u>153,964</u>	<u>(81,201)</u>	<u>18,623,710</u>
Less accumulated depreciation for:				
Equipment	(924,354)	(59,586)	-	(983,940)
Vehicles	(959,893)	(77,312)	27,262	(1,009,943)
Buildings	(1,245,482)	(29,690)	-	(1,275,172)
Improvements	(206,306)	(12,703)	-	(219,009)
Infrastructure	(2,255,858)	(284,918)	5,204	(2,535,572)
Total accumulated depreciation	<u>(5,591,893)</u>	<u>(464,209)</u>	<u>32,466</u>	<u>(6,023,636)</u>
Total capital assets being depreciated, net	<u>12,959,054</u>	<u>(310,245)</u>	<u>(48,735)</u>	<u>12,600,074</u>
Total governmental activities	<u>\$ 18,941,430</u>	<u>\$ 330,974</u>	<u>\$ (193,561)</u>	<u>\$ 19,078,843</u>

Depreciation expense was charged to governmental activities as follows:

	General	Internal Service	Total
General Government	\$ 18,840	\$ -	\$ 18,840
Public Safety	23,551	-	23,551
Recreation and Community Services	56,521	-	56,521
Public Works	263,765	-	263,765
Internal Service Fund	-	101,532	101,532
Totals	<u>\$ 362,677</u>	<u>\$ 101,532</u>	<u>\$ 464,209</u>

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Compensated Absences

The following is a summary of changes in compensated absences for the year ended June 30, 2020 is as follows:

Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
\$ 375,686	\$ 176,411	\$ 191,824	\$ 360,273	\$ 143,908

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 year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Public Offerings:					
2015 Certificates of Participation	\$ 3,475,000	\$ -	\$ 75,000	\$ 3,400,000	\$ 75,000
Unamortized bond premium	103,094	-	5,639	97,455	-
Total Public Offerings	<u>\$ 3,593,423</u>	<u>\$ -</u>	<u>\$ 80,639</u>	<u>\$ 3,497,455</u>	<u>\$ 75,000</u>
Other Long-term Liabilities:					
Capital Lease - Police Vehicle	<u>\$ 137,467</u>	<u>\$ -</u>	<u>\$ 68,405</u>	<u>\$ 69,062</u>	<u>\$ 69,062</u>

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, 2020 is \$3,400,000. The annual debt service requirements on these bonds are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 75,000	\$ 135,269	\$ 210,269
2022	80,000	132,269	212,269
2023	85,000	129,169	214,169
2024	85,000	125,444	210,444
2025	90,000	121,194	206,194
2026-2030	520,000	519,425	1,039,425
2031-2035	615,000	424,278	1,039,278
2036-2040	740,000	298,600	1,038,600
2041-2045	905,000	134,500	1,039,500
2046	205,000	4,100	209,100
Totals	<u>\$ 3,400,000</u>	<u>\$ 2,024,248</u>	<u>\$ 5,424,248</u>

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

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, 2020, were as follows:

Year Ending June 30	Governmental Activities
2021	\$ 70,641
Total minimum lease payments	70,641
Less: amount representing interest	(1,579)
Present value of minimum lease payments	\$ 69,062

Note 8 – Defined Contribution Plans

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, 2020, the City contributed \$24,795. 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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 – Defined Benefit Pension Plans (Continued)

B. Benefits Provided (Continued)

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.

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 2019-2020 are as follows:

	Employer Rates
Classic Miscellaneous Members	13.182%
PEPRA Miscellaneous Members	6.985%
Classic Safety Members	21.927%
PEPRA Safety Members	13.034%

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, 2020 was \$1,634,419.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 – Defined Benefit Pension Plans (Continued)

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.

For the year ended June 30, 2020, the contributions recognized as a reduction to the net pension liability for the miscellaneous and safety plans was \$878,063 and \$1,075,926, respectively.

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

The June 30, 2018 valuations were rolled forward to determine the June 30, 2019 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:

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 – Defined Benefit Pension Plans (Continued)

E. Long-term Expected Rate of Return

Asset Class	Assumed Asset Allocation
Public equity	49.0%
Global fixed income	22.0%
Real assets	12.0%
Private equity	8.0%
Inflation sensitive assets	6.0%
Liquidity	3.0%

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.

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, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 – Defined Benefit Pension Plans (Continued)

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

Net Pension Liability

As of June 30, 2020, 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	\$ 9,688,016
Safety	<u>10,731,155</u>
Total Net Pension Liability	<u><u>\$ 20,419,171</u></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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019, were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2018	0.0953%	0.1047%
Proportion - June 30, 2019	<u>0.1662%</u>	<u>0.1710%</u>
Change - Increase (Decrease)	<u><u>0.0709%</u></u>	<u><u>0.0663%</u></u>

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:

	<u>Discount Rate</u>	<u>Current</u>	<u>Discount Rate</u>
	- 1%	Discount Rate	+ 1%
	(6.15%)	(7.15%)	(8.15%)
Miscellaneous	\$ 14,116,348	\$ 9,688,016	\$ 6,032,740
Safety	<u>26,924,984</u>	<u>10,731,155</u>	<u>4,550,529</u>
	<u><u>\$ 41,041,332</u></u>	<u><u>\$ 20,419,171</u></u>	<u><u>\$ 10,583,269</u></u>

Pension Expense and Pension Deferrals

For the year ended June 30, 2020, the City recognized a total pension expense of \$1,859,504 for the Miscellaneous plan and \$2,079,821 for the Safety plan, totaling \$3,939,325 for all plans. At June 30, 2020, the City reported deferred outflows and deferred inflows of resources related to pensions as follows:

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 – Defined Benefit Pension Plans (Continued)

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

<u>Miscellaneous Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 878,063	\$ -
Changes in assumptions	461,968	163,765
Difference between expected and actual experience	672,875	52,133
Net difference between projected and actual earnings on pension plan investments	-	169,376
Adjustment due to differences in proportions	-	322,300
Difference between actual and proportionate share of contributions	16,905	389,666
Subtotal Miscellaneous Plan	<u>2,029,811</u>	<u>1,097,240</u>
 <u>Safety Plan</u>		
Contributions subsequent to measurement date	1,075,926	-
Changes in assumptions	439,849	85,837
Difference between expected and actual experience	700,646	-
Net difference between projected and actual earnings on pension plan investments	-	147,627
Adjustment due to differences in proportions	425,720	53,027
Difference between actual and proportionate share of contributions	32,518	536,326
Subtotal Safety Plan	<u>2,674,659</u>	<u>822,817</u>
Total All Plans	<u>\$ 4,704,470</u>	<u>\$ 1,920,057</u>

The \$1,953,989 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, 2021. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	<u>Deferred Outflows/(Inflows) of Resources</u>			
	<u>Ending June 30,</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2021	\$	364,984	\$ 705,955	\$ 1,070,939
2022		(321,181)	(47,758)	(368,939)
2023		(23,521)	88,998	65,477
2024		34,226	28,721	62,947

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Post-Employment Benefit (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.

B. Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active	44
Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to, but not yet receiving benefits	0
Total	90

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, 2020, the City made no contributions to the plan, which would be recognized as a reduction of the total OPEB liability.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Post-Employment Benefit (OPEB) Plan (Continued)

D. Actuarial Methods and Assumptions

The City’s total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.20%
Inflation	2.75%
Salary Increases	2.75% per year
Investment Rate of Return	2.20%, net of expenses
Mortality Rate	2014 CalPERS Active Mortality for Miscellaneous
Pre-Retirement Turnover	According to the CalPERS Turnover rate table
Healthcare Trend Rate	4.0% 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 2.20 percent. The discount rate is based on the Bond Buyer 20 Bond Index. The City does not participate in a trust fiduciary fund.

F. Changes in the Total OPEB Liability

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

	Increase (Decrease)
	Total OPEB Liability/(Assets)
Balance at June 30, 2019 (valuation date 6/30/18)	\$ 4,712,480
Changes recognized over the measurement period:	
Service Cost	192,736
Interest	164,133
Changes of assumptions	2,824,825
Experience (gains)/losses	(1,087,077)
Benefit Payments	(238,645)
Net Changes	1,855,972
Balance at June 30, 2020 (measurement date 6/30/20)	\$ 6,568,452

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, 2020:

1% Decrease (1.20%)	Current Discount Rate (2.20%)	1% Increase (3.20%)
\$7,353,402	\$6,568,452	\$5,916,831

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Post-Employment Benefit (OPEB) Plan (Continued)

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:

1% Decrease	Current Healthcare Cost Trent Rates	1% Increase
3.00%	4.00%	5.00%
\$6,074,220	\$6,568,452	\$7,159,015

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

For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$588,819. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Change in assumptions	\$ 2,543,932	\$ -
Difference between expected and actual experience	-	(949,472)
	\$ 2,543,932	\$ (949,472)

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2021	\$ 231,950
2022	231,950
2023	231,950
2024	231,950
2025	231,950
Thereafter	434,710
Total	\$ 1,594,460

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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 11 – Joint Ventures (Continued)

A. Orange County Fire Authority (Continued)

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

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.

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 \$275,473 reported at June 30, 2020, 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.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12 – Self-Insurance Program (Continued)

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:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</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	133,281	440,218	573,499
Claims and changes in estimates during the fiscal year ended June 30, 2020	54,583	(181,582)	(126,999)
Claims payments during the fiscal year ended June 30, 2020	<u>(127,996)</u>	<u>(43,031)</u>	<u>(171,027)</u>
Liability balance as of June 30, 2020	<u>\$ 59,868</u>	<u>\$ 215,605</u>	<u>\$ 275,473</u>

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, 2020, the City has no material construction commitments.

The City's operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, a reduction in certain tax revenues and a decline in the value of investments, which could have an impact on the City's financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and City management is in the process of evaluating the impact on the City and its financial statements.

City of Los Alamitos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 14 – Classification of Fund Balances

At June 30, 2020, fund balances are classified in the governmental funds as follows:

	General Fund	Capital Improvements Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 12,665	\$ -	\$ -	\$ 12,665
Prepaid items	1,450	-	-	1,450
Total nonspendable	<u>14,115</u>	<u>-</u>	<u>-</u>	<u>14,115</u>
Restricted				
Transportation	-	57,002	377,674	434,676
Cable television	-	-	66,050	66,050
Public safety	-	-	214,723	214,723
Air quality	-	-	115,169	115,169
Parks	-	-	622,166	622,166
Total restricted	<u>-</u>	<u>57,002</u>	<u>1,395,782</u>	<u>1,452,784</u>
Committed				
Emergencies	3,406,431	-	-	3,406,431
Capital projects	-	-	117	117
Total committed	<u>3,406,431</u>	<u>-</u>	<u>117</u>	<u>3,406,548</u>
Assigned				
Other post-employment benefits	500,000	-	-	500,000
PERS reserves	3,620,000	-	-	3,620,000
Development projects	295,979	-	-	295,979
Capital Projects	-	-	200,458	200,458
Total assigned	<u>4,415,979</u>	<u>-</u>	<u>200,458</u>	<u>4,616,437</u>
Unassigned	<u>2,445,023</u>	<u>-</u>	<u>(8,983)</u>	<u>2,436,040</u>
	<u>\$10,281,548</u>	<u>\$ 57,002</u>	<u>\$ 1,587,374</u>	<u>\$11,925,924</u>

Note 15 – Subsequent Events

Management has evaluated subsequent events through November 28, 2020 which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the City.

**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

CITY OF LOS ALAMITOS
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2019	\$ 8,840,618	\$ 8,840,618	\$ 8,840,618	\$ -
Revenues (inflows):				
Taxes	11,104,224	11,104,224	10,839,332	(264,892)
Licenses and permits	852,705	852,705	1,461,619	608,914
Intergovernmental	117,505	117,505	385,307	267,802
Charges for services	998,032	998,032	801,443	(196,589)
Investment earnings	105,000	105,000	219,932	114,932
Fines and forfeitures	720,500	720,500	664,332	(56,168)
Miscellaneous	72,000	72,000	59,493	(12,507)
Transfers in	460,000	460,000	460,000	-
Amount available for appropriations	<u>14,429,966</u>	<u>14,429,966</u>	<u>14,891,458</u>	<u>461,492</u>
Charges to appropriations (outflows):				
General government:				
City Council	66,895	66,895	69,933	(3,038)
City Manager / City Clerk	796,631	796,631	775,635	20,996
Administrative Services	752,515	752,515	789,086	(36,571)
City Attorney	176,000	176,000	183,648	(7,648)
Non-departmental	575,865	575,865	547,613	28,252
Public safety	6,411,556	6,466,556	5,540,106	926,450
Community development	988,234	988,234	1,052,034	(63,800)
Recreation and community services	1,724,607	1,724,607	1,614,618	109,989
Public works	2,110,185	2,309,635	1,928,855	380,780
Transfers out	809,000	809,000	949,000	(140,000)
Total charges to appropriations	<u>14,411,488</u>	<u>14,665,938</u>	<u>13,450,528</u>	<u>1,215,410</u>
Fund balance, June 30, 2020	<u>\$ 8,859,096</u>	<u>\$ 8,604,646</u>	<u>\$ 10,281,548</u>	<u>\$ (753,918)</u>

CITY OF LOS ALAMITOS
Required Supplementary Information
Budgetary Comparison Schedule - Traffic Improvement Capital Project Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, July 1, 2019	\$ 41,459	\$ 41,459	\$ 41,459	\$ -
Revenues (inflows):				
Charges for services	136,779	136,779	12,067	(124,712)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>3,476</u>	<u>2,476</u>
Amount available for appropriations	<u>137,779</u>	<u>137,779</u>	<u>15,543</u>	<u>(122,236)</u>
Charges to appropriations (outflows):				
Public works	<u>136,779</u>	<u>136,779</u>	<u>-</u>	<u>136,779</u>
Total charges to appropriations	<u>136,779</u>	<u>136,779</u>	<u>-</u>	<u>136,779</u>
Fund balance, June 30, 2020	<u>\$ 42,459</u>	<u>\$ 42,459</u>	<u>\$ 57,002</u>	<u>\$ (259,015)</u>

City of Los Alamitos
Required Supplementary Information (Continued) Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2020

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, 2020, 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 Council	\$ 66,895	\$ 69,993	\$ (3,038)
Administrative services	752,515	789,086	(36,571)
City attorney	176,000	183,647	(7,648)
Community development	988,234	1,052,034	(63,800)

CITY OF LOS ALAMITOS
Required Supplementary Information (Continued)
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2020

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	June 30, 2019 ¹ Fiscal Year 2019-20	June 30, 2018 ¹ Fiscal Year 2018-19	June 30, 2017 ¹ Fiscal Year 2017-18	June 30, 2016 ¹ Fiscal Year 2016-17	June 30, 2015 ¹ Fiscal Year 2015-16	June 30, 2014 ¹ Fiscal Year 2014-15
City's Proportion of the Net Pension Liability/(Asset)	0.1662%	0.0953%	0.0920%	0.0922%	0.0901%	0.0726%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 9,688,016	\$ 8,999,874	\$ 9,127,183	\$ 7,975,904	\$ 6,181,642	\$ 4,518,604
City's Covered payroll	\$ 1,883,036	\$ 1,882,670	\$ 2,067,777	\$ 2,139,951	\$ 2,067,219	\$ 2,042,142
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	514.5%	478.0%	441.4%	372.7%	299.0%	221.3%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	70.4%	75.3%	73.3%	74.1%	78.4%	79.8%

California Public Employees' Retirement System ("CalPERS") Safety Plan

	June 30, 2019 ¹ Fiscal Year 2019-20	June 30, 2018 ¹ Fiscal Year 2018-19	June 30, 2017 ¹ Fiscal Year 2017-18	June 30, 2016 ¹ Fiscal Year 2016-17	June 30, 2015 ¹ Fiscal Year 2015-16	June 30, 2014 ¹ Fiscal Year 2014-15
City's Proportion of the Net Pension Liability/(Asset)	0.1710%	0.1047%	0.0980%	0.0965%	0.0922%	0.0891%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ 10,731,155	\$ 9,853,739	\$ 9,719,511	\$ 8,351,809	\$ 6,328,706	\$ 5,542,493
City's Covered payroll	\$ 2,287,551	\$ 2,498,046	\$ 2,655,464	\$ 2,534,307	\$ 2,402,592	\$ 2,385,017
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its covered payroll	469.1%	394.5%	366.0%	329.6%	263.4%	232.4%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	73.1%	75.3%	73.3%	74.1%	78.4%	79.8%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. The Measurement date 2014 was the first year of implementation, therefore only six year are presented.

CITY OF LOS ALAMITOS
Required Supplementary Information (Continued)
Schedule of City's Contributions - Pensions
For the Year Ended June 30, 2020

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Actuarially determined contribution ²	\$ 878,063	\$ 706,647	\$ 607,715	\$ 575,534	\$ 478,168	\$ 228,140
Contributions in relation to the actuarially determined contributions ²	<u>\$ (878,063)</u>	<u>\$ (706,647)</u>	<u>\$ (607,715)</u>	<u>\$ (575,534)</u>	<u>\$ (478,168)</u>	<u>\$ (228,140)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll ²	\$ 1,853,222	\$ 1,883,036	\$ 1,882,670	\$ 2,067,777	\$ 2,139,951	\$ 2,067,219
Contributions as a percentage of covered employee payroll	47.4%	37.5%	32.3%	27.8%	22.3%	11.0%

California Public Employees' Retirement System ("CalPERS") Safety Plan

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Actuarially determined contribution ²	\$ 1,075,926	\$ 927,772	\$ 847,090	\$ 797,034	\$ 748,750	\$ 605,370
Contributions in relation to the actuarially determined contributions ²	<u>\$ (1,075,926)</u>	<u>\$ (927,772)</u>	<u>\$ (847,090)</u>	<u>\$ (797,034)</u>	<u>\$ (748,750)</u>	<u>\$ (605,370)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 1,935,386	\$ 2,287,551	\$ 2,498,046	\$ 2,655,464	\$ 2,534,307	\$ 2,402,592
Contributions as a percentage of covered employee payroll	55.6%	40.6%	33.9%	30.0%	29.5%	25.2%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. The fiscal year 2014 was the first year of implementation, therefore only six years are presented.

² Covered Payroll represented above is based on pensionable earnings provided by the employer.

Notes to Schedule

None.

CITY OF LOS ALAMITOS
Required Supplementary Information (Continued)
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2020

Last Ten Fiscal Years

For the Measurement Period:	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability			
Service cost	\$ 192,736	\$ 175,452	\$ 170,756
Interest on the total OPEB Liability	164,133	157,013	166,352
Actual and expected experience difference	(1,087,077)	-	-
Changes in assumptions	2,824,825	100,644	-
Changes in benefit terms	-	-	-
Benefit payments	<u>(238,645)</u>	<u>(237,974)</u>	<u>(228,821)</u>
Net change in total OPEB liability	1,855,972	195,135	108,287
Total OPEB liability - beginning	<u>4,712,480</u>	<u>4,517,345</u>	<u>4,409,058</u>
Total OPEB liability - ending (a)	<u>\$ 6,568,452</u>	<u>\$ 4,712,480</u>	<u>\$ 4,517,345</u>
Fiduciary net position as a % of total OPEB liability ¹	0.00%	0.00%	0.00%
Covered payroll	4,502,169	4,380,716	4,380,716
Net OPEB liability as a percentage of payroll	145.9%	107.6%	103.1%

* 2018 is the first year of implementation, therefore only three years are available for the required 10-year schedule.

¹ The City does not hold any assets in a qualifying irrevocable trust or equivalent avengement. As such, there is no fiduciary net position of the plan, and the total amount of the OPEB liability is reported.

SUPPLEMENTARY INFORMATION

CITY OF LOS ALAMITOS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds			
	Measure M	State Gas Tax	Los Alamitos Television	Office of Traffic Safety
ASSETS				
Cash and investments	\$ 338,819	\$ -	\$ 66,780	\$ 54,208
Accounts receivable	-	-	4,670	1,469
Due from other governments	28,003	14,617	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Total assets	\$ 366,822	\$ 14,617	\$ 71,450	\$ 55,677
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,245	\$ 625	\$ 5,400	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	895	-	-
Total liabilities	2,245	1,520	5,400	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Restricted	364,577	13,097	66,050	55,677
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	364,577	13,097	66,050	55,677
Total liabilities, deferred inflows and fund balances	\$ 366,822	\$ 14,617	\$ 71,450	\$ 55,677

CITY OF LOS ALAMITOS
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	Asset Seizure	Public Safety Augmentation	State Law Enforcement Service	Air Quality
ASSETS				
Cash and investments	\$ 20,876	\$ 16,284	\$ 112,965	\$ 115,169
Accounts receivable	-	-	-	-
Due from other governments	-	11,442	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Total assets	\$ 20,876	\$ 27,726	\$ 112,965	\$ 115,169
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	2,521	-	-	-
Due to other funds	-	-	-	-
Total liabilities	2,521	-	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Restricted	18,355	27,726	112,965	115,169
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	18,355	27,726	112,965	115,169
Total liabilities, deferred inflows and fund balances	\$ 20,876	\$ 27,726	\$ 112,965	\$ 115,169

CITY OF LOS ALAMITOS
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds	Capital Projects Funds		
	Community Development Block Grant	Park Development	Building Improvement	Residential Streets/ Alleys
ASSETS				
Cash and investments	\$ -	\$ 622,586	\$ 196,552	\$ 6,684
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Total assets	\$ -	\$ 622,586	\$ 196,552	\$ 6,684
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,806	\$ 420	\$ 3,027	\$ -
Deposits payable	-	-	-	-
Due to other funds	4,177	-	-	-
Total liabilities	8,983	420	3,027	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances:				
Restricted	-	622,166	-	-
Committed	-	-	-	-
Assigned	-	-	193,525	6,684
Unassigned	(8,983)	-	-	-
Total fund balances	(8,983)	622,166	193,525	6,684
Total liabilities, deferred inflows and fund balances	\$ -	\$ 622,586	\$ 196,552	\$ 6,684

CITY OF LOS ALAMITOS
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Capital Outlay	Debt Service	Funds
ASSETS			
Cash and investments	\$ 117	\$ -	\$ 1,551,040
Accounts receivable	-	-	6,139
Due from other governments	-	-	54,062
Restricted cash and investments with fiscal agent	-	249	249
Total assets	\$ 117	\$ 249	\$ 1,611,490
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 16,523
Deposits payable	-	-	2,521
Due to other funds	-	-	5,072
Total liabilities	-	-	24,116
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances:			
Restricted	-	-	1,395,782
Committed	117	-	117
Assigned	-	249	200,458
Unassigned	-	-	(8,983)
Total fund balances	117	249	1,587,374
Total liabilities, deferred inflows and fund balances	\$ 117	\$ 249	\$ 1,611,490

CITY OF LOS ALAMITOS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds			
	Measure M	State Gas Tax	Los Alamitos Television	Office of Traffic Safety
REVENUES:				
Taxes	\$ -	\$ 460,648	\$ 18,613	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	5,817	6,081	1,319	783
Fines and forfeitures	-	-	-	29,941
Program revenues	235,050	-	-	-
Miscellaneous	-	-	6,500	-
Total revenues	<u>240,867</u>	<u>466,729</u>	<u>26,432</u>	<u>30,724</u>
EXPENDITURES:				
Current:				
General government	-	-	38,663	-
Public safety	-	-	-	-
Public works	1,032	42,492	-	-
Capital outlay	134,056	502,572	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>135,088</u>	<u>545,064</u>	<u>38,663</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>105,779</u>	<u>(78,335)</u>	<u>(12,231)</u>	<u>30,724</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(185,000)	-	(5,000)
Total other financing sources (uses)	<u>-</u>	<u>(185,000)</u>	<u>-</u>	<u>(5,000)</u>
CHANGE IN FUND BALANCES	105,779	(263,335)	(12,231)	25,724
Fund balances (deficits), beginning of year	<u>258,798</u>	<u>276,432</u>	<u>78,281</u>	<u>29,953</u>
Fund balances (deficits), end of year	<u>\$ 364,577</u>	<u>\$ 13,097</u>	<u>\$ 66,050</u>	<u>\$ 55,677</u>

CITY OF LOS ALAMITOS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Funds			
	Asset Seizure	Public Safety Augmentation	State Law Enforcement Service	Air Quality
REVENUES:				
Taxes	\$ -	\$ 103,172	\$ -	\$ -
Intergovernmental	-	-	156,006	13,669
Charges for services	-	-	-	-
Investment earnings	884	280	2,219	1,935
Fines and forfeitures	-	-	-	-
Program revenues	-	-	-	-
Miscellaneous	333	-	-	-
Total revenues	1,217	103,452	158,225	15,604
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	45,152	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	45,152	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(43,935)	103,452	158,225	15,604
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(120,000)	(150,000)	-
Total other financing sources (uses)	-	(120,000)	(150,000)	-
CHANGE IN FUND BALANCES	(43,935)	(16,548)	8,225	15,604
Fund balances (deficits), beginning of year	62,290	44,274	104,740	99,565
Fund balances (deficits), end of year	\$ 18,355	\$ 27,726	\$ 112,965	\$ 115,169

CITY OF LOS ALAMITOS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue Funds	Capital Projects Funds		
	Community Development Block Grant	Park Development	Building Improvement	Residential Streets/ Alleys
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	128,813	-	-	-
Charges for services	-	496,244	-	-
Investment earnings	-	8,557	2,940	123
Fines and forfeitures	-	-	-	-
Program revenues	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>128,813</u>	<u>504,801</u>	<u>2,940</u>	<u>123</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	10,139	-	-
Capital outlay	133,911	56,448	38,449	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>133,911</u>	<u>66,587</u>	<u>38,449</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,098)</u>	<u>438,214</u>	<u>(35,509)</u>	<u>123</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	140,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>140,000</u>	<u>-</u>
CHANGE IN FUND BALANCES	<u>(5,098)</u>	<u>438,214</u>	<u>104,491</u>	<u>123</u>
Fund balances (deficits), beginning of year	<u>(3,885)</u>	<u>183,952</u>	<u>89,034</u>	<u>6,561</u>
Fund balances (deficits), end of year	<u>\$ (8,983)</u>	<u>\$ 622,166</u>	<u>\$ 193,525</u>	<u>\$ 6,684</u>

CITY OF LOS ALAMITOS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	Capital Outlay	Debt Service	
REVENUES:			
Taxes	\$ -	\$ -	\$ 582,433
Intergovernmental	-	-	298,488
Charges for services	-	-	496,244
Investment earnings	-	81	31,019
Fines and forfeitures	-	-	29,941
Program revenues	-	-	235,050
Miscellaneous	-	-	6,833
Total revenues	<u>-</u>	<u>81</u>	<u>1,680,008</u>
EXPENDITURES:			
Current:			
General government	-	-	38,663
Public safety	-	-	45,152
Public works	-	-	53,663
Capital outlay	-	-	865,436
Debt service:			
Principal	-	75,000	75,000
Interest and fiscal charges	-	136,523	136,523
Total expenditures	<u>-</u>	<u>211,523</u>	<u>1,214,437</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(211,442)</u>	<u>465,571</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	208,000	348,000
Transfers out	-	-	(460,000)
Total other financing sources (uses)	<u>-</u>	<u>208,000</u>	<u>(112,000)</u>
CHANGE IN FUND BALANCES	-	(3,442)	353,571
Fund balances (deficits), beginning of year	<u>117</u>	<u>3,691</u>	<u>1,233,803</u>
Fund balances (deficits), end of year	<u>\$ 117</u>	<u>\$ 249</u>	<u>\$ 1,587,374</u>

CITY OF LOS ALAMITOS

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

Measure M Special Revenue Fund

For the Year Ended June 30, 2020

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 258,798	\$ 258,798	\$ -
Revenues (inflows):			
Investment earnings	450	5,817	5,367
Program revenues	234,275	235,050	775
Amount available for appropriations	234,725	240,867	6,142
Charges to appropriations (outflows):			
Public works	65,000	1,032	63,968
Capital outlay	371,410	134,056	237,354
Total charges to appropriations	436,410	135,088	301,322
Fund balance, June 30, 2020	\$ 57,113	\$ 364,577	\$ (295,180)

CITY OF LOS ALAMITOS

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

State Gas Tax Special Revenue Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 276,432	\$ 276,432	\$ -
Revenues (inflows):			
Taxes	514,245	460,648	(53,597)
Investment earnings	<u>200</u>	<u>6,081</u>	<u>5,881</u>
Amount available for appropriations	<u>514,445</u>	<u>466,729</u>	<u>(47,716)</u>
Charges to appropriations (outflows):			
Public works	80,708	42,492	38,216
Capital outlay	527,889	502,572	25,317
Transfers out	<u>185,000</u>	<u>185,000</u>	<u>-</u>
Total charges to appropriations	<u>793,597</u>	<u>730,064</u>	<u>63,533</u>
Fund balance, June 30, 2020	<u><u>\$ (2,720)</u></u>	<u><u>\$ 13,097</u></u>	<u><u>\$ (111,249)</u></u>

CITY OF LOS ALAMITOS

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

Los Alamitos Television Special Revenue Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 78,281	\$ 78,281	\$ -
Revenues (inflows):			
Taxes	27,500	18,613	(8,887)
Investment earnings	600	1,319	719
Miscellaneous	<u>6,500</u>	<u>6,500</u>	<u>-</u>
 Amount available for appropriations	 <u>34,600</u>	 <u>26,432</u>	 <u>(8,168)</u>
Charges to appropriations (outflows):			
General government	<u>52,150</u>	<u>38,663</u>	<u>13,487</u>
 Total charges to appropriations	 <u>52,150</u>	 <u>38,663</u>	 <u>13,487</u>
Fund balance, June 30, 2020	<u>\$ 60,731</u>	<u>\$ 66,050</u>	<u>\$ (21,655)</u>

CITY OF LOS ALAMITOS

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

Office of Traffic Safety Special Revenue Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 29,953	\$ 29,953	\$ -
Revenues (inflows):			
Investment earnings	100	783	683
Fines and forfeitures	<u>10,000</u>	<u>29,941</u>	<u>19,941</u>
 Amount available for appropriations	<u>10,100</u>	<u>30,724</u>	<u>20,624</u>
Charges to appropriations (outflows):			
Transfers out	<u>5,000</u>	<u>5,000</u>	<u>-</u>
 Total charges to appropriations	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Fund balance, June 30, 2020	<u><u>\$ 35,053</u></u>	<u><u>\$ 55,677</u></u>	<u><u>\$ 20,624</u></u>

CITY OF LOS ALAMITOS

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

Asset Seizure Special Revenue Fund

For the Year Ended June 30, 2020

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 62,290	\$ 62,290	\$ -
Revenues (inflows):			
Investment earnings	500	884	384
Miscellaneous	-	333	333
Amount available for appropriations	500	1,217	717
Charges to appropriations (outflows):			
Public safety	55,600	45,152	10,448
Total charges to appropriations	55,600	45,152	10,448
Fund balance, June 30, 2020	\$ 7,190	\$ 18,355	\$ (9,731)

CITY OF LOS ALAMITOS

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

Public Safety Augmentation Special Revenue Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 44,274	\$ 44,274	\$ -
Revenues (inflows):			
Taxes	105,000	103,172	(1,828)
Investment earnings	<u>150</u>	<u>280</u>	<u>130</u>
Amount available for appropriations	<u>105,150</u>	<u>103,452</u>	<u>(1,698)</u>
Charges to appropriations (outflows):			
Transfers out	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Total charges to appropriations	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 29,424</u>	<u>\$ 27,726</u>	<u>\$ (1,698)</u>

CITY OF LOS ALAMITOS

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

State Law Enforcement Service Special Revenue Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 104,740	\$ 104,740	\$ -
Revenues (inflows):			
Intergovernmental	140,000	156,006	16,006
Investment earnings	<u>100</u>	<u>2,219</u>	<u>2,119</u>
Amount available for appropriations	<u>140,100</u>	<u>158,225</u>	<u>18,125</u>
Charges to appropriations (outflows):			
Transfers out	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total charges to appropriations	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 94,840</u>	<u>\$ 112,965</u>	<u>\$ 18,125</u>

CITY OF LOS ALAMITOS

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

Air Quality Special Revenue Fund

For the Year Ended June 30, 2020

	Budgeted Amounts	Actual	Variance with
	Final	Amounts	Final Budget
Fund balance, July 1, 2019	\$ 99,565	\$ 99,565	\$ -
Revenues (inflows):			
Intergovernmental	15,000	13,669	(1,331)
Investment earnings	550	1,935	1,385
Amount available for appropriations	15,550	15,604	54
Charges to appropriations (outflows):			
Public works	86,150	-	86,150
Total charges to appropriations	86,150	-	86,150
Fund balance, June 30, 2020	\$ 28,965	\$ 115,169	\$ (86,096)

CITY OF LOS ALAMITOS

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2020**

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance (deficit), July 1, 2019	\$ (3,885)	\$ (3,885)	\$ -
Revenues (inflows):			
Intergovernmental	<u>135,000</u>	<u>128,813</u>	<u>(6,187)</u>
Amount available for appropriations	<u>135,000</u>	<u>128,813</u>	<u>(6,187)</u>
Charges to appropriations (outflows):			
Capital outlay	<u>135,000</u>	<u>133,911</u>	<u>1,089</u>
Total charges to appropriations	<u>135,000</u>	<u>133,911</u>	<u>1,089</u>
Fund balance (deficit), June 30, 2020	<u>\$ (3,885)</u>	<u>\$ (8,983)</u>	<u>\$ (7,276)</u>

CITY OF LOS ALAMITOS

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

Park Development Capital Project Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 183,952	\$ 183,952	\$ -
Revenues (inflows):			
Charges for services	268,240	496,244	228,004
Investment earnings	<u>1,000</u>	<u>8,557</u>	<u>7,557</u>
 Amount available for appropriations	<u>269,240</u>	<u>504,801</u>	<u>235,561</u>
Charges to appropriations (outflows):			
Public works	105,000	10,139	94,861
Capital outlay	<u>202,429</u>	<u>56,448</u>	<u>145,981</u>
 Total charges to appropriations	<u>307,429</u>	<u>66,587</u>	<u>240,842</u>
 Fund balance, June 30, 2020	<u>\$ 145,763</u>	<u>\$ 622,166</u>	<u>\$ (5,281)</u>

CITY OF LOS ALAMITOS

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

Building Improvement Capital Project Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 89,034	\$ 89,034	\$ -
Revenues (inflows):			
Investment earnings	200	2,940	2,740
Transfers in	<u>-</u>	<u>140,000</u>	<u>140,000</u>
Amount available for appropriations	<u>200</u>	<u>142,940</u>	<u>142,740</u>
Charges to appropriations (outflows):			
Capital outlay	<u>71,592</u>	<u>38,449</u>	<u>33,143</u>
Total charges to appropriations	<u>71,592</u>	<u>38,449</u>	<u>33,143</u>
Fund balance, June 30, 2020	<u><u>\$ 17,642</u></u>	<u><u>\$ 193,525</u></u>	<u><u>\$ 109,597</u></u>

CITY OF LOS ALAMITOS

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

Residential Streets/Alleys Capital Project Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Fund balance, July 1, 2019	\$ 6,561	\$ 6,561	\$ -
Revenues (inflows):			
Investment earnings	<u>90</u>	<u>123</u>	<u>33</u>
Amount available for appropriations	<u>90</u>	<u>123</u>	<u>33</u>
Fund balance, June 30, 2020	<u><u>\$ 6,651</u></u>	<u><u>\$ 6,684</u></u>	<u><u>\$ 33</u></u>

CITY OF LOS ALAMITOS

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

Debt Service Bond Debt Service Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Fund balance, July 1, 2019	\$ 3,691	\$ 3,691	\$ -
Revenues (inflows):			
Investment earnings	1,000	81	(919)
Transfers in	<u>208,000</u>	<u>208,000</u>	<u>-</u>
Amount available for appropriations	<u>209,000</u>	<u>208,081</u>	<u>(919)</u>
Charges to appropriations (outflows):			
Principal	75,000	75,000	-
Interest and fiscal charges	<u>135,300</u>	<u>136,523</u>	<u>(1,223)</u>
Total charges to appropriations	<u>210,300</u>	<u>211,523</u>	<u>(1,223)</u>
Fund balance, June 30, 2020	<u>\$ 2,391</u>	<u>\$ 249</u>	<u>\$ 304</u>

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CITY OF LOS ALAMITOS
Combining Statement of Net Position
All Internal Service Funds
June 30, 2020

	<u>Garage</u>	<u>Technology Replacement</u>	<u>Police Capital Expenditures</u>
ASSETS			
Current assets:			
Cash and investments	\$ 685,827	\$ 233,250	\$ 138,602
Account receivables	-	-	-
Prepaid costs	-	-	-
Cash and investments - restricted	-	-	-
Total current assets	<u>685,827</u>	<u>233,250</u>	<u>138,602</u>
Noncurrent assets:			
Capital assets - net of accumulated depreciation	<u>135,453</u>	<u>25,142</u>	<u>-</u>
Total noncurrent assets	<u>135,453</u>	<u>25,142</u>	<u>-</u>
Total assets	<u>821,280</u>	<u>258,392</u>	<u>138,602</u>
LIABILITIES			
Current liabilities:			
Accounts payable	10,453	1,331	-
Accrued interest	1,576	-	-
Accrued claims and judgements	-	-	-
Capital leases	<u>69,062</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>81,091</u>	<u>1,331</u>	<u>-</u>
Long-term liabilities:			
Accrued claims and judgements	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>81,091</u>	<u>1,331</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	66,391	25,142	-
Unrestricted	<u>673,798</u>	<u>231,919</u>	<u>138,602</u>
Total net position	<u>\$ 740,189</u>	<u>\$ 257,061</u>	<u>\$ 138,602</u>

CITY OF LOS ALAMITOS
Combining Statement of Net Position
All Internal Service Funds
June 30, 2020

	<u>Facilities, Streets, Parks, and Pool Capital Expenditures</u>	<u>Self- Insurance Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 249,577	\$ 526,908	\$ 1,834,164
Account receivables	-	150	150
Prepaid costs	-	-	-
Cash and investments - restricted	-	-	-
Total current assets	<u>249,577</u>	<u>527,058</u>	<u>1,834,314</u>
Noncurrent assets:			
Capital assets - net of accumulated depreciation	<u>354,677</u>	-	<u>515,272</u>
Total noncurrent assets	<u>354,677</u>	-	<u>515,272</u>
Total assets	<u>604,254</u>	<u>527,058</u>	<u>2,349,586</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,449	231,178	245,411
Accrued interest	-	-	1,576
Accrued claims and judgements	-	183,095	183,095
Capital leases	-	-	69,062
Total current liabilities	<u>2,449</u>	<u>414,273</u>	<u>499,144</u>
Long-term liabilities:			
Accrued claims and judgements	-	92,378	92,378
Total long-term liabilities	<u>-</u>	<u>92,378</u>	<u>92,378</u>
Total liabilities	<u>2,449</u>	<u>506,651</u>	<u>591,522</u>
NET POSITION			
Net investment in capital assets	354,677	-	446,210
Unrestricted	<u>247,128</u>	<u>20,407</u>	<u>1,311,854</u>
Total net position	<u>\$ 601,805</u>	<u>\$ 20,407</u>	<u>\$ 1,758,064</u>

CITY OF LOS ALAMITOS

Combining Statement of Revenues, Expenses, and Changes in Net Position

All Internal Service Funds

For the year ended June 30, 2020

	Garage	Technology Replacement	Police Capital Expenditures
OPERATING REVENUES:			
Charges for services:			
Garage	\$ 304,026	\$ -	\$ -
Police capital	-	-	40,000
Technology replacement	-	160,000	-
Miscellaneous	-	-	-
Total operating revenues	304,026	160,000	40,000
OPERATING EXPENSES:			
Supplies and materials	109,067	86,695	-
Outside services	31,819	51,616	-
Claims expense	-	-	-
Depreciation	85,722	8,380	-
Total operating expenses	226,608	146,691	-
OPERATING INCOME	77,418	13,309	40,000
NON-OPERATING REVENUES (EXPENSES):			
Interest expense	(1,282)	-	-
Loss on disposal of capital assets	(6,404)	-	-
Total non-operating revenues (expenses)	(7,686)	-	-
INCOME BEFORE TRANSFERS	69,732	13,309	40,000
Transfers in	-	-	-
Total transfers	-	-	-
Change in net position	69,732	13,309	40,000
Net position, beginning of year	670,457	243,752	98,602
Net position, end of year	\$ 740,189	\$ 257,061	\$ 138,602

CITY OF LOS ALAMITOS

Combining Statement of Revenues, Expenses, and Changes in Net Position

All Internal Service Funds

For the year ended June 30, 2020

	Facilities, Streets, Parks, and Pool Capital Expenditures	Self- Insurance Trust	Total
OPERATING REVENUES:			
Charges for services:			
Garage	\$ -	\$ -	\$ 304,026
Police capital	-	-	40,000
Technology replacement	-	-	160,000
Miscellaneous	-	43,062	43,062
	-	43,062	547,088
Total operating revenues	-	43,062	547,088
OPERATING EXPENSES:			
Supplies and materials	-	-	195,762
Outside services	17,449	-	100,884
Claims expense	-	804,674	804,674
Depreciation	7,430	-	101,532
	24,879	804,674	1,202,852
Total operating expenses	24,879	804,674	1,202,852
OPERATING INCOME	(24,879)	(761,612)	(655,764)
NON-OPERATING REVENUES (EXPENSES):			
Interest expense	-	-	(1,282)
Loss on disposal of capital assets	-	-	(6,404)
	-	-	(7,686)
Total non-operating revenues (expenses)	-	-	(7,686)
INCOME BEFORE TRANSFERS	(24,879)	(761,612)	(663,450)
Transfers in	40,000	561,000	601,000
	40,000	561,000	601,000
Total transfers	40,000	561,000	601,000
Change in net position	15,121	(200,612)	(62,450)
Net position, beginning of year	586,684	221,019	1,820,514
	586,684	221,019	1,820,514
Net position, end of year	\$ 601,805	\$ 20,407	\$ 1,758,064
	601,805	20,407	1,758,064

CITY OF LOS ALAMITOS
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2020

	<u>Garage</u>	<u>Technology Replacement</u>	<u>Police Capital Expenditures</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund charges for garage services	\$ 304,026	\$ -	\$ -
Receipts from interfund charges for police capital services	-	-	40,000
Receipts from interfund charges for technology replacement services	-	161,618	-
Payments to suppliers and service providers	(142,785)	(141,790)	-
Cash received from (payments to) others	-	-	-
Net cash provided (used by) operating activities	<u>161,241</u>	<u>19,828</u>	<u>40,000</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	-
Net cash provided (used by) non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(5,977)	-	-
Principal paid on capital debt	(68,405)	-	-
Interest paid on capital debt	(2,235)	-	-
Net cash provided (used by) capital and related financing activities	<u>(76,617)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	84,624	19,828	40,000
Cash and equivalents, beginning of year	<u>601,203</u>	<u>213,422</u>	<u>98,602</u>
Cash and equivalents, end of year	<u>\$ 685,827</u>	<u>\$ 233,250</u>	<u>\$ 138,602</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 77,418	\$ 13,309	\$ 40,000
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	85,722	8,380	-
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	-	1,618	-
Increase (decrease) in accounts payable	(1,899)	(3,479)	-
Increase (decrease) in claims and judgements	-	-	-
Total adjustments	<u>83,823</u>	<u>6,519</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 161,241</u>	<u>\$ 19,828</u>	<u>\$ 40,000</u>

CITY OF LOS ALAMITOS
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2020

	Facilities, Streets, Parks, and Pool Capital Expenditures	Self- Insurance Trust	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund charges for garage services	\$ -	\$ -	\$ 304,026
Receipts from interfund charges for police capital services	-	-	40,000
Receipts from interfund charges for technology replacement services	-	-	161,618
Payments to suppliers and service providers	(15,000)	-	(299,575)
Cash received from (payments to) others	-	(638,040)	(638,040)
Net cash provided (used by) operating activities	<u>(15,000)</u>	<u>(638,040)</u>	<u>(431,971)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers in	40,000	561,000	601,000
Net cash provided (used by) non-capital financing activities	<u>40,000</u>	<u>561,000</u>	<u>601,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	-	(5,977)
Principal paid on capital debt	-	-	(68,405)
Interest paid on capital debt	-	-	(2,235)
Net cash provided (used by) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(76,617)</u>
Net increase (decrease) in cash and cash equivalents	25,000	(77,040)	92,412
Cash and equivalents, beginning of year	224,577	603,948	1,741,752
Cash and equivalents, end of year	<u>\$ 249,577</u>	<u>\$ 526,908</u>	<u>\$ 1,834,164</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED BY) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (24,879)	\$ (761,612)	\$ (655,764)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	7,430	-	101,532
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	-	22,115	23,733
Increase (decrease) in accounts payable	2,449	149,483	146,554
Increase (decrease) in claims and judgements	-	(48,026)	(48,026)
Total adjustments	<u>9,879</u>	<u>123,572</u>	<u>223,793</u>
Net cash provided (used) by operating activities	<u>\$ (15,000)</u>	<u>\$ (638,040)</u>	<u>\$ (431,971)</u>

STATISTICAL SECTION

STATISTICAL SECTION

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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Financial Trends: these schedules contain trend information to help the reader understands how the City’s financial performance and well-being has changed over time 99

Revenue Capacity: these schedules contain trend information to help the reader assesses the factors affecting the City’s most significant revenue source, property tax 106

Debt Capacity: these schedules present information to help the reader assesses the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future 113

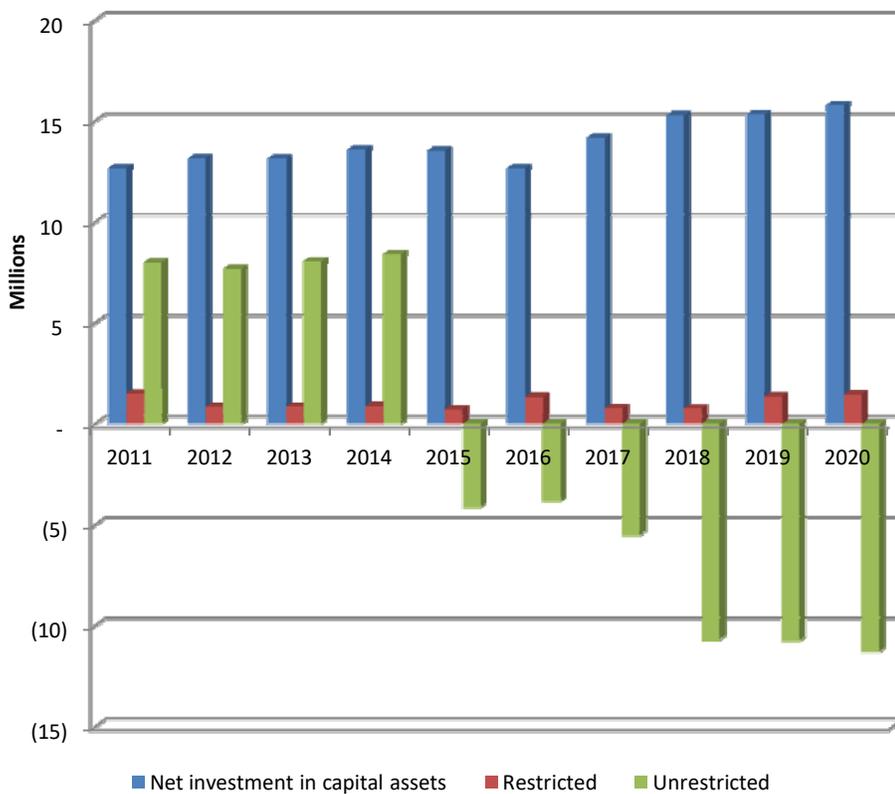
Demographic and Economic Information: these schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place 116

Operating Information: these schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs 118

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

	2011	2012	2013	2014	2015*
Governmental activities					
Net investment in capital assets	\$ 12,659	\$ 13,143	\$ 13,138	\$ 13,585	\$ 13,519
Restricted	1,500	832	841	878	713
Unrestricted	7,984	7,681	8,034	8,393	(4,126)
Total governmental activities net position	\$ 22,143	\$ 21,656	\$ 22,013	\$ 22,856	\$ 10,106

	2016	2017	2018	2019	2020
Governmental activities					
Net investment in capital assets	\$ 12,658	14,156	15,281	15,315	15,776
Restricted	1,334	764	761	1,350	1,453
Unrestricted	(3,828)	(5,506)	(10,679)	(10,746)	(11,287)
Total governmental activities net position	\$ 10,164	9,414	5,363	5,919	5,942



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.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses					
Governmental activities:					
General government	\$ 1,659	\$ 2,376	\$ 1,377	\$ 2,223	\$ 2,646
Public safety	4,912	5,545	5,393	5,691	5,463
Community development	527	705	745	843	714
Recreation and community services	1,568	1,770	1,957	1,700	1,772
Public works	1,905	2,007	2,709	2,839	2,592
Interest and fiscal charges	153	150	168	140	138
Total governmental activities expenses	<u>10,724</u>	<u>12,553</u>	<u>12,349</u>	<u>13,436</u>	<u>13,325</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	43	3	-	385	205
Public safety	641	511	637	735	752
Community development	150	280	435	113	141
Recreation and community services	1,230	1,266	1,295	1,242	1,301
Public works	-	-	-	18	2
Operating grants	533	112	119	323	293
Capital grants and contributions	890	524	349	1,739	629
Total governmental activities program revenues	<u>3,487</u>	<u>2,696</u>	<u>2,835</u>	<u>4,555</u>	<u>3,323</u>
Net (expense)/revenue					
Governmental activities	(7,237)	(9,857)	(9,514)	(8,881)	(10,002)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	2,529	3,143	3,734	2,733	2,954
Utility users tax	2,132	2,083	2,160	2,188	2,210
Transient occupancy	80	88	104	113	132
Sales	2,148	2,200	2,117	2,836	3,064
Franchise	595	683	653	689	712
Business license	471	618	694	551	563
Other	85	347	284	334	348
	<u>8,040</u>	<u>9,162</u>	<u>9,746</u>	<u>9,444</u>	<u>9,983</u>
Motor vehicle in lieu	62	6	5	-	-
Investment income	27	15	27	13	30
Gain on Sale of property	140	3	37	-	-
Other	89	207	36	267	146
Total governmental activities	<u>8,358</u>	<u>9,393</u>	<u>9,851</u>	<u>9,724</u>	<u>10,159</u>
Changes in Net Position					
Governmental activities	<u>\$ 1,121</u>	<u>\$ (464)</u>	<u>\$ 337</u>	<u>\$ 843</u>	<u>\$ 157</u>

Source: City of Los Alamitos, Finance Department

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

	<u>2016</u>	2017	<u>2018</u>	<u>2019</u>	<u>2020</u>
Expenses					
Governmental activities:					
General government	\$ 2,976	\$ 2,830	\$ 3,517	\$ 3,135	\$ 3,586
Public safety	5,732	6,922	6,311	6,556	6,912
Community development	685	775	1,104	986	1,091
Recreation and community services	1,834	1,783	1,811	1,746	1,758
Public works	2,339	2,306	2,314	2,415	2,572
Interest and fiscal charges	302	148	141	142	58
Total governmental activities expenses	<u>13,868</u>	<u>14,764</u>	<u>15,198</u>	<u>14,980</u>	<u>15,977</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	225	272	814	831	1,335
Public safety	808	825	859	916	711
Community development	80	100	198	3	3
Recreation and community services	1,225	1,087	956	937	781
Public works	139	-	-	167	508
Operating grants	398	453	151	442	628
Capital grants and contributions	530	369	391	254	249
Total governmental activities program revenues	<u>3,405</u>	<u>3,106</u>	<u>3,369</u>	<u>3,550</u>	<u>4,215</u>
Net (expense)/revenue					
Governmental activities	(10,463)	(11,658)	(11,829)	(11,430)	(11,762)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	3,118	3,603	3,773	3,946	4,169
Utility users tax	2,092	2,037	2,034	1,968	1,988
Transient occupancy	156	159	167	160	132
Sales	3,357	3,160	3,336	3,597	3,227
Franchise	709	669	691	688	611
Business license	566	609	647	684	730
Other	251	339	429	557	564
	<u>10,249</u>	<u>10,576</u>	<u>11,077</u>	<u>11,600</u>	<u>11,421</u>
Motor vehicle in lieu	-	-	-	-	-
Investment income	86	63	102	271	254
Gain on Sale of property	-	-	19	-	-
Other	185	269	182	115	110
Total governmental activities	<u>10,520</u>	<u>10,908</u>	<u>11,380</u>	<u>11,986</u>	<u>11,785</u>
Changes in Net Position					
Governmental activities	<u>\$ 57</u>	<u>\$ (750)</u>	<u>(449)</u>	<u>\$ 556</u>	<u>\$ 23</u>

Source: City of Los Alamitos, Finance Department

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

	2011	2012	2013	2014	2015
General Fund					
Nonspendable	\$ 4	\$ 7	\$ 6	\$ 8	\$ 684
Committed	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	3,250	3,250	3,770	7,049	7,484
Unassigned	4,161	4,496	4,085	1,218	(644)
Reserved	-	-	-	-	-
Unreserved, designated	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-
Total General Fund	<u>7,415</u>	<u>7,753</u>	<u>7,861</u>	<u>8,275</u>	<u>7,524</u>
All Other Governmental Funds					
Nonspendable	-	-	-	-	-
Restricted	1,550	1,073	888	829	1,063
Assigned	1,201	724	898	677	390
Unassigned	(167)	(146)	(223)	(1,240)	-
Reserved					
Unreserved, designated reported in:					
Special revenue funds					
Unreserved, reported in:					
Special revenue funds					
Debt service funds					
Capital projects funds					
Total All Other Governmental Funds	<u>2,584</u>	<u>1,651</u>	<u>1,563</u>	<u>266</u>	<u>1,453</u>
Total All Governmental Funds	<u>\$ 9,999</u>	<u>\$ 9,404</u>	<u>\$ 9,424</u>	<u>\$ 8,541</u>	<u>\$ 8,977</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

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

	2016	2017	2018	2019	2020
General Fund					
Nonspendable	\$ 59	\$ 17	\$ 18	\$ 56	\$ 14
Committed	-	-	-	3,607	3,286
Restricted	-	-	-	-	-
Assigned	7,347	7,481	7,662	4,589	4,196
Unassigned	3	56	49	588	2,785
Reserved	-	-	-		
Unreserved, designated	-	-	-		
Unreserved, undesignated	-	-	-		
Total General Fund	<u>7,409</u>	<u>7,554</u>	<u>7,729</u>	<u>8,840</u>	<u>10,281</u>
All Other Governmental Funds					
Nonspendable	-	-	-	-	-
Restricted	1,333	764	764	1,180	1,453
Assigned	1,001	345	129	99	200
Unassigned	-	-	-	(4)	(9)
Reserved					
Unreserved, designated reported in:					
Special revenue funds					
Unreserved, reported in:					
Special revenue funds					
Debt service funds					
Capital projects funds					
Total All Other Governmental Funds	<u>2,334</u>	<u>1,109</u>	<u>893</u>	<u>1,275</u>	<u>1,644</u>
Total All Governmental Funds	<u>\$ 9,743</u>	<u>\$ 8,663</u>	<u>\$ 8,622</u>	<u>\$ 10,115</u>	<u>\$ 11,925</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

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

	2011	2012	2013	2014	2015
Revenues					
Taxes	\$ 8,027	\$ 8,087	\$ 9,042	\$ 9,420	\$ 10,337
Licenses and permits	629	1,247	694	937	205
Intergovernmental	1,047	475	531	150	1,609
Charges for services	1,379	1,320	1,752	1,396	1,403
Investment earnings	27	15	9	2	30
Fines and forfeitures	602	450	615	710	737
Other	245	197	36	581	454
Total Revenues	11,956	11,791	12,679	13,196	14,775
Expenditures					
General government	1,892	2,106	1,900	2,097	2,379
Public safety	4,748	4,913	5,280	5,874	5,513
Community development	526	623	737	830	694
Recreation and community services	1,527	1,570	1,889	1,620	1,730
Public works	1,654	1,779	1,831	1,686	1,771
Capital outlay	523	1,183	806	1,744	830
Debt service:					
Principal retirement	60	65	72	70	76
Payment to refunded bond escrow agent	-	-	-	-	-
Interest and fiscal charges	150	147	144	141	138
Total Expenditures	11,080	12,386	12,659	14,062	13,131
Excess of revenues over/(under) expenditures	876	(595)	20	(866)	1,644
Other Financing Sources (Uses)					
Transfers in	960	715	588	606	684
Transfers out	(621)	(715)	(588)	(621)	(1,892)
Refunding bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources	339	-	-	(15)	(1,208)
Net change in fund balances	\$ 1,215	\$ (595)	\$ 20	\$ (881)	\$ 436
Debt service as a percentage of noncapital expenditures	1.966%	1.878%	1.765%	1.598%	1.813%

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

Source: City of Los Alamitos, Administrative Services Department

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

	2016	2017	2018	2019	2020
Revenues					
Taxes	\$ 10,559	\$ 10,724	\$ 11,078	11,600	11,422
Licenses and permits	225	272	814	831	1,462
Intergovernmental	245	609	323	294	684
Charges for services	1,459	1,202	1,169	1,121	1,310
Investment earnings	86	63	106	271	254
Fines and forfeitures	781	810	844	900	694
Other	460	476	398	349	301
Total Revenues	<u>13,815</u>	<u>14,156</u>	<u>14,732</u>	<u>15,366</u>	<u>16,127</u>
Expenditures					
General government	2,735	2,029	2,243	2,299	2,405
Public safety	5,711	5,777	5,751	5,886	5,585
Community development	657	715	1,044	928	1,052
Recreation and community services	1,739	1,646	1,598	1,590	1,615
Public works	1,963	1,963	1,943	2,064	1,983
Capital outlay	213	1,972	1,068	332	865
Debt service:					
Principal retirement	75	70	70	70	75
Payment to refunded bond escrow agent	220	-	-	-	-
Interest and fiscal charges	311	142	140	139	136
Total Expenditures	<u>13,624</u>	<u>14,314</u>	<u>13,857</u>	<u>13,308</u>	<u>13,716</u>
Excess of revenues over/(under) expenditures	<u>191</u>	<u>(158)</u>	<u>875</u>	<u>2,058</u>	<u>2,411</u>
Other Financing Sources (Uses)					
Transfers in	681	1,280	832	597	808
Transfers out	(1,203)	(2,201)	(1,752)	(1,157)	(1,409)
Refunding bonds issued	3,685	-	-	-	-
Bond premium	133	-	-	-	-
Payment to refunded bond escrow agent	(2,722)	-	-	-	-
Total other financing sources	<u>574</u>	<u>(921)</u>	<u>(920)</u>	<u>(560)</u>	<u>(601)</u>
Net change in fund balances	<u>\$ 765</u>	<u>\$ (1,079)</u>	<u>\$ (45)</u>	<u>1,498</u>	<u>1,810</u>
Debt service as a percentage of noncapital expenditures	2.865%	1.713%	1.640%	1.611%	1.642%
	(1)				

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

Source: City of Los Alamitos, Administrative Services Department

CITY OF LOS ALAMITOS
 2019/20 Use Category Summary-Basic Property Value Table
 Last Ten Fiscal Years
 (amounts expressed in thousands)

<u>Category</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	\$ 905,175	\$ 915,246	\$ 936,234	\$ 968,878	\$ 1,031,002
Commercial	282,452	278,385	288,665	296,984	318,001
Industrial	260,083	260,852	266,381	270,936	271,390
Institutional	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Recreational	-	-	-	-	-
Vacant land	9,364	8,360	8,530	8,917	8,449
SBE Nonunitary	222	222	222	222	222
Cross Reference	3,477	3,367	4,326	3,453	3,265
Unsecured	155,295	138,185	134,342	119,933	143,801
Other	-	-	-	-	-
Totals	\$ 1,616,068	\$ 1,604,617	\$ 1,638,700	\$ 1,669,323	\$ 1,776,130
Direct rate	0.10066%	0.10066%	0.10067%	0.11558%	0.11568%

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

CITY OF LOS ALAMITOS
 2019/20 Use Category Summary-Basic Property Value Table
 Last Ten Fiscal Years
 (amounts expressed in thousands)

<u>Category</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Residential	\$ 1,091,854	\$ 1,143,395	\$ 1,200,335	\$ 1,266,083	\$ 1,332,806
Commercial	359,002	365,544	393,211	405,241	427,330
Industrial	278,399	292,535	292,689	308,001	315,346
Institutional	-	-	-	-	-
Miscellaneous	-	-	-	1,793	608
Recreational	-	-	-	-	-
Vacant land	9,710	9,905	11,648	10,088	19,185
SBE Nonunitary	222	222	222	970	970
Cross Reference	3,083	3,998	4,139	4,109	4,177
Unsecured	138,386	154,478	163,741	161,257	164,509
Other	-	-	-	-	-
Totals	\$ 1,880,656	\$ 1,970,077	\$ 2,065,985	\$ 2,157,542	\$ 2,264,931
Direct rate	0.11571%	0.11578%	0.11578%	0.11821%	0.11848%

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

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
2011	1,460,551	155,295	-	1,615,846	0.117
2012	1,466,210	138,185	-	1,604,395	0.117
2013	1,504,137	134,342	-	1,638,479	0.117
2014	1,549,169	119,933	-	1,788,647	0.117
2015	1,632,107	143,801	-	1,775,908	0.117
2016	1,742,048	138,386	-	1,880,434	0.116
2017	1,806,377	154,478	-	1,960,855	0.116
2018	1,902,022	163,742	-	2,065,764	0.116
2019	1,995,314	161,257	-	2,156,571	0.116
2020	2,099,452	164,509	-	2,263,961	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>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
Overlapping Rates:					
Los Alamitos City General Fund	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
Educational Revenue Augmentation Fund	0.144	0.144	0.144	0.144	0.144
Los Alamitos Unified General Fund	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
Orange County Department of Education	0.031	0.031	0.031	0.031	0.031
Orange County Fire Authority	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
Orange County General Fund	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
Orange County Library District General Fund	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
Orange County Transportation Authority	0.002	0.002	0.002	0.002	0.002
Orange County Vector Control	0.001	0.001	0.001	0.001	0.001
Orange County Water District	0.006	0.006	0.006	0.006	0.006
Orange County Water District reserve	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
Total Prop 13 Rate	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
Anaheim High School District	0.027	0.027	0.029	0.026	0.024
Cypress Elementary	0.026	0.015	0.025	0.027	0.023
Garden Grove Unified School District	0.033	0.025	0.031	0.037	0.041
Los Alamitos Sfid	0.033	0.036	0.042	0.056	0.048
Metropolitan Water District	0.004	0.004	0.004	0.003	0.004
N. Orange County Community College	0.017	0.017	0.019	0.017	0.017
Total Voter Approved tax Rate	<u>0.141</u>	<u>0.124</u>	<u>0.150</u>	<u>0.166</u>	<u>0.157</u>
Total Tax Rate	<u>1.141</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 2010/2011 - 2019/2020 Tax Rate Table

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City Direct Rate	0.116	0.116	0.116	0.116	0.116
Overlapping Rates:					
Los Alamitos City General Fund	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
Educational Revenue Augmentation Fund	0.145	0.145	0.145	0.145	0.145
Los Alamitos Unified General Fund	0.412	0.412	0.412	0.412	0.412
North Orange Co. Community College District	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
Orange County Fire Authority	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
Orange County General Fund	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
Orange County Library District General Fund	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
Orange County Transportation Authority	0.002	0.002	0.002	0.002	0.002
Orange County Vector Control	0.001	0.001	0.001	0.001	0.001
Orange County Water District	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
Rossmoor/Los Alamitos Sewer District	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>
Anaheim High School District	0.049	0.043	0.022	0.042	0.040
Cypress Elementary	0.025	0.024	0.031	0.030	0.030
Garden Grove Unified School District	0.047	0.045	0.075	0.068	0.069
Los Alamitos Sfid	0.052	0.048	0.047	0.049	0.080
Metropolitan Water District	0.004	0.004	0.004	0.004	0.004
N. Orange County Community College	0.030	0.029	0.029	0.028	0.024
Total Voter Approved tax Rate	<u>0.207</u>	<u>0.192</u>	<u>0.207</u>	<u>0.221</u>	<u>0.247</u>
Total Tax Rate	<u>1.207</u>	<u>1.192</u>	<u>1.207</u>	<u>1.220</u>	<u>1.247</u>

Source: HdL Coren and Cone, Orange County Assessor 2010/2011 - 2019/2020 Tax Rate Table

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

	2020		2011	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Los Alamitos Medical Center	\$ 137,420	6.067%	\$ 67,957	4.205%
Los Alamitos Corporation Center JV	54,889	2.423%	52,798	3.267%
Trend Offset Printing Inc.	45,581	2.012%	46,668	2.888%
Don Wilson Staples LLC	38,044	1.680%	29,522	1.827%
Bar Bakers LLC	24,612	1.087%		
CGM Katella LLC	19,643	0.867%		
JCB Inc Tinicum Corporation	19,100	0.843%	16,415	1.016%
Ganahl Lumber Company	17,400	0.768%	13,211	0.817%
Bayport Los Alamitos Associates LP	13,911	0.614%	12,022	0.744%
Katella Property Owner LLC	13,462	0.594%		
Davenport KCC Partners LLC			14,548	0.900%
Arrowhead Products Corporation			11,029	0.682%
ESS WCOT Owner LLC			10,290	0.637%
Top Ten Totals	<u>\$ 384,062</u>	<u>16.957%</u>	<u>\$ 274,460</u>	<u>16.983%</u>
City Totals	<u>\$ 2,264,931</u>		<u>\$ 1,616,068</u>	

Source: HdL Coren and Cone, Orange County Assessor 2010/11 and 2019/20 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
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%
2020	2,786,377	2,742,208	98.415%	21,973	2,764,181	99.203%

(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			
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
2020	\$ 3,400	69	\$ 3,469	0.782%	\$332.81

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, 2020
 (amounts expressed in thousands)

2019-2020 Taxable Assessed Valuation: \$ 2,264,507

	Total Debt 6/30/2020	Percent Applicable to City (1)	City's Share of Debt 6/30/2020
<u>DIRECT DEBT</u>			
Vehicle Lease Debt	\$ 69	100.000%	69
Bonded Debt	3,400	100.000%	3,400
TOTAL DIRECT DEBT			\$ 3,469
<u>OVERLAPPING DEBT:</u>			
Anaheim High 2002 Bond Series 2003	\$ 17,774	0.072%	\$ 13
N.OC Community College 2002 Bond Series #2003B	32,638	1.671%	545
Anaheim High 2002 Bond Series 2002A	40,310	0.072%	29
N.OC Community College 2002 Bond 2005 Refunding	62,724	1.671%	1,048
Los Alamitos SFID #1 2008 Series 2009	24,710	22.618%	5,589
Cypress Elementary 2008 Bond Series A	13,724	0.476%	65
Garden Grove USD 2010 Series A&B	1,392	0.008%	0
Los Alamitos SFID #1 2008 Series 2010	2,000	22.618%	452
Los Alamitos SFID #1 2008 Series 2010C	2,000	22.618%	452
Garden Grove USD 2010 Series B	114,770	0.008%	9
Los Alamitos SFID #1 208 Series D	19,000	22.618%	4,297
Cypress Elementary 2008 Bond, Series B1 & B2	22,326	0.476%	106
Los Alamitos SFID #1 208 Series E	56,155	22.618%	12,701
Garden Grove USD 2010 Series C	133,805	0.008%	11
Anaheim High 2014 Bond Series 2015	47,045	0.072%	34
N.OC Community College 2014 Bond Series A	36,222	1.671%	605
Garden Grove USD 2016 Series 2017	78,290	0.008%	6
Anaheim High 2018 Bond Series 2014	4,510	0.072%	3
Garden Grove USD 2016 Series 2019	75,000	0.008%	6
Los Alamitos SFID #1 208 Series A	37,500	22.618%	8,482
Los Alamitos SFID #1 208 Series F	12,500	22.618%	2,827
N.OC Community College 2014 Bond Series B	146,470	1.671%	2,448
Anaheim High 2018 Bond Series 2019	6,000	0.072%	4
Metropolitan Water District	7,541	0.409%	\$ 31
TOTAL OVERLAPPING DEBT			39,765
TOTAL DIRECT & OVERLAPPING DEBT			\$ 43,234

- (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.....	0.15%
Overlapping Debt.....	1.76%
Net Combined Total Debt.....	1.91%

Source - HdL Coren & Cone, Orange County Assessor and Auditor Combined 2019/20 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	\$ 2,264,931,009
Debt limit (15% of assessed value)	339,739,651
Debt applicable to limit	0
Legal debt margin - Current Year	<u><u>\$ 339,739,651</u></u>

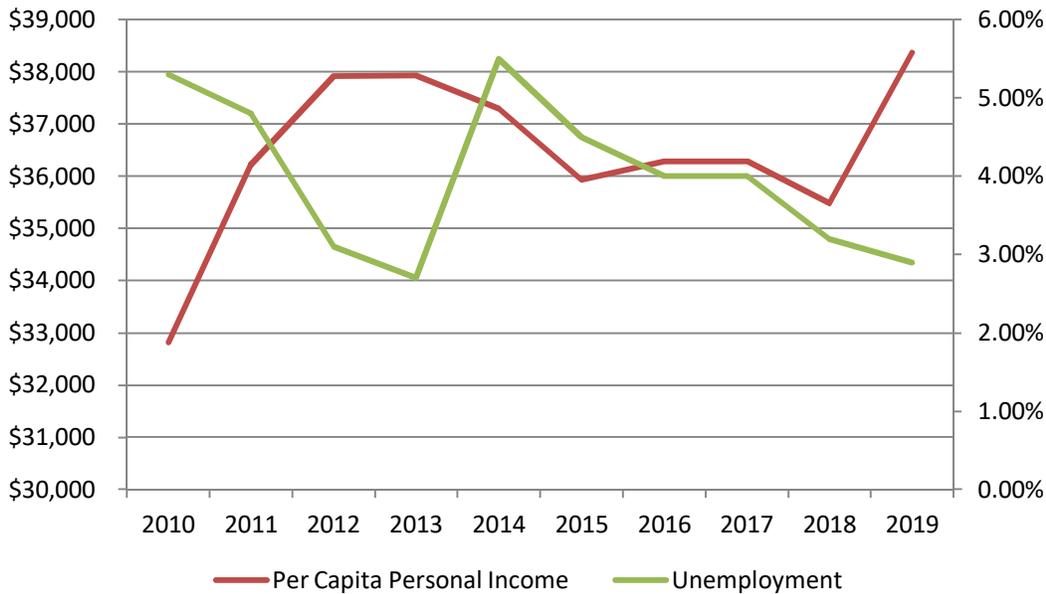
Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2011	242,410,136	0	238,450,720	0
2012	240,628,038	0	240,628,038	0
2013	245,805,113	0	245,805,113	0
2014	250,398,597	0	250,398,597	0
2015	266,419,511	0	266,419,511	0
2016	282,098,369	0	282,098,369	0
2017	294,161,529	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%
2020	343,305,168	3,565,517	339,739,651	1.04%

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
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%
2019	11,567	443,756	38,363	2.90%

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

Function/Program	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government											
City Council	5	5	5	5	5	5	5	5	5	5	5
Administration	9	8	8	8	8	8	8	8	8	8	6
Community Development											
Administration	2	2	2	1	1	1	1	1	1	1	1
Planning	1	1	1	1	1	1	1	1	1	1	1
Code Enforcement	1	1	1	1	1	1	1	1	1	1	1
Police											
Administration	4	4	4	4	4	4	4	4	4	4	4
Patrol	18	19	19	19	19	19	19	19	18	18	13
Investigation	3	3	3	3	3	3	3	3	3	3	3
Records	2	2	2	2	2	2	2	2	2	2	2
Crossing Guards	2	2	2	3	3	3	3	1	1	1	1
Other PD Support	2	2	2	2	2	2	2	2	2	2	2
Public Works											
Admin/Engineering	2	1	1	1	1	1	1	1	1	1	1
Maintenance	11	10	10	10	10	10	10	10	9	9	7
Mechanic	1	1	1	1	1	1	1	1	0	0	0
Recreation & Community Services											
Administration	4	4	4	5	5	5	5	5	4	4	4
Recreation/Cultural	19	18	17	15	15	15	15	14	11	11	11

Source: City of Los Alamitos, Finance Department

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

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

NA - Not Available

Source: City of Los Alamitos, Finance Department

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

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Community Development					
Number of:					
Business licenses	2,169	2,068	2,153	1,806	2,046
Plan checks	96	93	108	98	74
NPDES inspections	60	60	157	85	79
Code violations	267	267	483	420	451
Police					
Number of:					
Part 1 crimes	252	268	209	193	189
Parking violations	3,963	2,997	4,043	4,221	1,471
Traffic (moving) violations	1,473	2,885	1,430	1,114	342
Incident & crime reports	1,167	1,254	896	752	729
Public Works					
Square yd of street resurfacing/repair	-	-	-	-	-
Miles of street sweeping	33	33	33	33	33
Number of:					
Street signal maintained	25	25	25	25	21
Trees pruned per year	991	991	991	991	995
Square feet graffiti removal	1,205	1,205	1,205	1,205	900
Recreation & Community Services					
Total in attendance:					
Aquatics	163,000	0	0	0	0
Community Services/Seniors	13,180	14,000	14,100	18,390	17,040
Day Camp	2,800	3,000	4,040	3,500	3,200
Park Program	4,262	4,140	4,040	3,000	2,400
Sports	35,500	30,000	30,500	28,234	14,970
Classes	8,900	8,900	8,800	10,300	9,960
Special Events	30,475	34,820	35,000	38,225	31,600

NA - Not Available

Source: City of Los Alamitos, Finance Department

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

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Community Development										
Code enforcement vehicles	1	1	1	1	1	1	1	1	1	1
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	8	7	7	7	7	7	8	8	8	8
Other Vehicles	9	8	8	9	9	9	9	9	9	9
Public Works										
Streets (Miles)	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Street lights	910	910	910	911	911	911	911	911	911	911
Traffic signals	24	24	24	25	25	25	25	25	25	25
Public works vehicles	12	13	13	13	13	13	13	11	11	11
Recreation & Community Services										
Youth centers	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Parks	9	9	9	9	9	9	9	9	9	9
Community service vehicles	2	2	2	2	2	2	2	3	3	3

Source: City of Los Alamitos, Administrative Services Department

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CITY OF LOS ALAMITOS
Los Alamitos, California

Report on Communication
With Those Charged with Governance

June 30, 2020



An Independent CPA Firm

CITY OF LOS ALAMITOS
Los Alamitos, California

Report On Communication
With Those Charged With Governance

June 30, 2020

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An Independent CPA Firm

City of Los Alamitos
Los Alamitos, California

To the Honorable Mayor and City Council:

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos, California (City) for the year ended June 30, 2020, and have issued our report thereon dated November 28, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the contract dated June 30, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting standards that were required to be adopted in fiscal year 2020 that were applicable. 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 estimates affecting the City's financial statements were:

- Management's estimate of capitalizing certain infrastructure assets that prolong its' useful life (as opposed to classifying as routine maintenance expense) and depreciation expense on capital assets. We have evaluated the key factors and assumptions used to estimate the capitalization of infrastructure assets and useful lives on depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability and net OPEB liability and their allocation to various funds. We have evaluated the key factors and assumptions used to estimate the net pension liability and its allocation to various funds of the City in determining that they are reasonable in relation to the financial statements taken as a whole.

City of Los Alamitos
Honorable Mayor and City Council

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of Contingencies in Note 13 to the financial statements concerning potential claims against the City for possible disallowed costs or noncompliance with certain grantor restrictions. As of the date of this letter, Management is not aware of any disallowed costs or noncompliance with grantor restrictions.

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. We noted a few significant adjustments as a result of audit procedures which have been attached as Exhibit B.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2020.

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.

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 City of Los Alamitos's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

City of Los Alamitos
Honorable Mayor and City Council

We also became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 28, 2020, on the financial statements of the City. Our comments are summarized in the attached Exhibit A. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedules of pension plan contributions and proportionate share of pension liability, and budgetary comparison information, which is 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.

We were engaged to report on the supplementary information as described in the table of contents in the financial statements, 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 section or statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

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

DAVID L. GRUBER AND ASSOCIATES, INC.

David L. Gruber and Associates, Inc.

Newport Beach, California
November 28, 2020

EXHIBIT A

GENERAL RECOMMENDATIONS

2020-1 Statement on Auditing Standards (SAS) No. 122, AU-C 265

Statement on Auditing Standards (SAS) No. 122, AU-C 265 Communicating Internal Control Matters Identified in an Audit (formerly SAS No. 115) provides examples of conditions and events that may indicate the existence of risk of material misstatement. Paragraph .A11 of the standard requires that the auditor include in his or her report of deficiencies, such as material adjustments, detected by the audit process. Although the matters discussed below were not deemed to be significant deficiencies or material weaknesses for fiscal year 2020, they may meet these definitions in subsequent years if they continue to go uncorrected.

There were a few adjustments for the year ended June 30, 2020 that were discovered by us through the audit process which were disclosed in Exhibit B. It should be noted that during the fiscal year ended June 30, 2020, there was significant turnover in the City's finance department which may be the reason for such adjustments. Such significant adjustments included the areas of cash and investments, accounts payable and accounts receivable, capital assets and related depreciation, and claims payable.

Recommendation: Adjustments should be reflected in the accounting records prior to the start of the audit in order to make audit fieldwork as efficient as possible.

Management's Response: Management agrees with the auditor's recommendation.

2020-2 Cash and Investments Reconciliation

During our testwork over cash and investments, we noted that for each of the twelve months there were variances on cash and investments reconciliations which resulted in an adjustment to cash at year end. We further noted that the June 30, 2020 Treasurer's report listed \$750,000 of government agency securities, however, these securities were cash out before fiscal year end. Sound internal controls dictate that cash and investments be reconciled at the end of each month with little or no variances, and that the monthly Treasurer's report accurately disclose the correct investment instruments.

Recommendations: We recommend that the City investigate any variances on the cash and investment reconciliation. We further recommend that the Treasurer's report disclose the accurate investment instruments that the City holds.

Management's Response: Management agrees with the auditor's recommendation.

EXHIBIT A

GENERAL RECOMMENDATIONS

2020-3 Controls Over Cash Disbursements

During our testwork over cash disbursements, we noted that person who prepares purchase orders and prints checks has access to the blank check stock. Sound internal controls dictate that these duties be segregated.

Recommendations: We recommend that someone other than the person who prepares purchase orders and prints checks be in charge of the blank check stock. This person should also be in charge of the check log and ensure that checks are all in numeric sequence.

Management's Response: Management agrees with the auditor's recommendation. This change has been implemented.

2020-4 Budget to Actual Reports Provided to City Council

During our review of internal controls, we noted that City Council is not always provided with budget to actual reports. Budget to actual reports provide management and those charged with governance the information necessary for key decision making to ensure the City is on track with the adopted budget.

Recommendations: We recommend that Finance provide City Council with budget to actual reports at least quarterly.

Management's Response: Management agrees with the auditor's recommendation and will incorporate additional reporting budget to actual information.

**Los Alamitos
Proposed AJEs
6/30/2020**

EXHIBIT B

	Account name	Acct#	wp ref	DR	CR	
1	Accumlated depr	50-1325	64.2	27,262.00		
	Gain/loss disposal of asset	50-4831		15,403.00		
	Depr exp	50-546-5285	64.2		5,838.00	
	Vehicles	50-1305	64.2		36,827.00	
	To record the write off of Garage assets below \$5,000 per Los Al purchasing policy.					
2	City Engineer	10-548-5260	71.1b	4,080.00		
	Plan Checking	10-548-5268	71.1b	10,255.50		
	Greenbrook st	26-570-5501.1932	71.1b	37.50		
	Noel St improv-CDBG	19-570-5501.2003	71.1b	1,620.00		
	Noel St improv-Gas tx	20-570-5501.2003	71.1b	180.00		
	Fenely Pump Station	25-570-5503.1915	71.1b	2,751.00		
	Community Center roof	52-570-5503-1941	71.1b	69.00		
	Property Ins	54-561-5221	71.1a	13,936.00		
	Accounts payable	10-2000	71.1b		14,335.50	
	Accounts payable	26-2000	71.1b		37.50	
	Accounts payable	19-2000	71.1b		1,620.00	
	Accounts payable	20-2000	71.1b		180.00	
	Accounts payable	25-2000	71.1b		2,751.00	
	Accounts payable	52-2000	71.1b		69.00	
	Accounts payable	54-2000	71.1a		13,936.00	
	To accrue AP paid in July -Sept but that was for expenses in FY 19/20.					
3	CLAIM ON CASH	10-1000		3,874.83		
	UNALLOCATED INTEREST	10-2004			24,030.04	
	INVESTMENT EARNINGS	10-4620		20,155.21		
	CLAIM ON CASH	20-1000			693.59	
	INVESTMENT EARNINGS	20-4620		693.59		
	CLAIM ON CASH	21-1000			54.75	
	INVESTMENT EARNINGS	21-4620		54.75		
	CLAIM ON CASH	22-1000			286.25	
	INVESTMENT EARNINGS	22-4620		286.25		
	CLAIM ON CASH	23-1000			229.90	
	INVESTMENT EARNINGS	23-4620		229.90		
	CLAIM ON CASH	24-1000			15.20	
	INVESTMENT EARNINGS	24-4620		15.20		
	CLAIM ON CASH	25-1000			286.97	
	INVESTMENT EARNINGS	25-4620		286.97		
	CLAIM ON CASH	26-1000			682.89	
	INVESTMENT EARNINGS	26-4620		682.89		
	CLAIM ON CASH	27-1000			145.40	
	INVESTMENT EARNINGS	27-4620		145.40		
	CLAIM ON CASH	28-1000			165.81	
	INVESTMENT EARNINGS	28-4620		165.81		
	CLAIM ON CASH	29-1000			82.46	
	INVESTMENT EARNINGS	29-4620		82.46		
	CLAIM ON CASH	40-1000			809.31	
	INVESTMENT EARNINGS	40-4620		809.31		
	CLAIM ON CASH	42-1000			0.26	
	INVESTMENT EARNINGS	42-4620		0.26		
	CLAIM ON CASH	44-1000			422.04	
	INVESTMENT EARNINGS	44-4620		422.04		
	To correct clients entry on year-end investment income.				27,904.87	27,904.87

EXHIBIT B (CONTINUED)

			DR	CR
4	CLAIM ON CASH	10-1000		10,956.45
	UNALLOCATED INTEREST	10-2004	24,030.04	
	INVESTMENT EARNINGS	10-4620		13,073.59
	CLAIM ON CASH	20-1000		201.27
	INVESTMENT EARNINGS	20-4620	201.27	
	CLAIM ON CASH	21-1000	55.66	
	INVESTMENT EARNINGS	21-4620		55.66
	CLAIM ON CASH	22-1000	720.27	
	INVESTMENT EARNINGS	22-4620		720.27
	CLAIM ON CASH	23-1000	714.61	
	INVESTMENT EARNINGS	23-4620		714.61
	CLAIM ON CASH	24-1000	42.72	
	INVESTMENT EARNINGS	24-4620		42.72
	CLAIM ON CASH	25-1000	1,307.57	
	INVESTMENT EARNINGS	25-4620		1,307.57
	CLAIM ON CASH	26-1000	2,130.85	
	INVESTMENT EARNINGS	26-4620		2,130.85
	CLAIM ON CASH	27-1000	132.42	
	INVESTMENT EARNINGS	27-4620		132.42
	CLAIM ON CASH	28-1000	436.22	
	INVESTMENT EARNINGS	28-4620		436.22
	CLAIM ON CASH	29-1000	340.03	
	INVESTMENT EARNINGS	29-4620		340.03
	CLAIM ON CASH	40-1000	4,039.55	
	INVESTMENT EARNINGS	40-4620		4,039.55
	CLAIM ON CASH	42-1000	0.75	
	INVESTMENT EARNINGS	42-4620		0.75
	CLAIM ON CASH	44-1000	1,237.07	
	INVESTMENT EARNINGS	44-4620		1,237.07
	To clean out unallocated interest on year-end investments.		35,389.03	35,389.03
5	Cares act exp	55-1-500	71.3	15,000.00
	Cares act reve	55-4899	71.3	15,000.00
	To reclass the cares act grant disbursement as a gross expense not a reduction of the grant revenue.			
6	W/C expense	54-561-5211	92,377.56	
	Claims payable - W/C	54-2710		92,377.56
	To adjust workers comp liability to the actuary.			

EXHIBIT B (CONTINUED)

		DR	CR
7	CLAIM ON CASH	10-1000	2,637.21
	MISCELLANEOUS REVENUE	10-4899	2,637.21
	CLAIM ON CASH	54-1000	96,065.69
	WORKERS COMP CLAIMS	54-561-5211	96,065.69
	Entry to write off stale checks.	98,702.90	98,702.90
8	CLAIM ON CASH	10-1000	894.86
	DUE FROM FUND 20	10-1420	894.86
	CLAIM ON CASH	20-1000	894.86
	DUE TO FUND 10	20-2410	894.86
	Entry to eliminate negative cash.	1,789.72	1,789.72
9	GAS TAX - 2106	20-4306	3,432.19
	GAS TAX - 2107	20-4307	6,570.40
	GAS TAX - 2107.5	20-4308	3,000.00
	GAS TAX - 2105	20-4309	4,789.71
	GAS TAX - 2103	20-4322	7,254.88
	Due from gov	20-1102	25,047.18
	To reverse accrual for GAS tax due to relating to FY 21.	25,047.18	25,047.18
10	Misc revenue	10-4899	48,669.90
	Cash	10-1000	48,669.90
	To adjust cash and investments to reconcile GL.		
11	DEPRECIATION - EQUIPMENT	52-1321	7,430.00
	DEPRECIATION EXPENSE	52-570-5285	7,430.00
	Entry to record depreciation.	7,430.00	7,430.00



An Independent CPA Firm

Honorable Mayor and City Council
City of Los Alamitos
Los Alamitos, California

**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**

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 City of Los Alamitos, California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Los Alamitos's basic financial statements, and have issued our report thereon dated November 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Los Alamitos's internal control over financial reporting (internal control) as a basis for designing 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 City of Los Alamitos's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Los Alamitos'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.

Honorable Mayor and City Council
City of Los Alamitos
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Los Alamitos'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 financial statements. 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*.

Purpose of this Report

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

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.

Newport Beach, California
November 28, 2020