

# CITY OF LA PALMA

**Comprehensive Annual Financial Report  
Year Ended June 30, 2015**

**CITY OF LA PALMA, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2015**

**Prepared by the Administrative Services  
Department/Accounting Division**

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**CITY OF LA PALMA, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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March 25, 2016

To the Members of the City Council and Residents of the City of La Palma:

We are pleased to present the Comprehensive Annual Financial Report of the City of La Palma for the fiscal year ended June 30, 2015. The purpose of this report is to provide the City Council, residents, general public, and other interested parties a broad financial outlook of the City as well as to comply with state law.

The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Account Principles (GAAP) using the guidelines set forth by the Government Accounting Standards Board, and it has been audited by Vavrinek, Trine, Day & Co, LLP, a certified public accounting firm. For the year ended June 30, 2015, these financial statements received an unqualified opinion by Vavrinek, Trine, Day & Co., LLP. The independent auditors' report is presented at the beginning of the financial section of this report.

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

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

As a recipient of Federal, State, and County financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. Under Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, which was revised June 24, 1997, the City did not meet the criteria for a single audit for the fiscal year ending June 30, 2015.

### **Profile of the Government**

The City, incorporated in 1955, is located in the northwest corner of Orange County. The City currently occupies a land area of approximately two square miles and serves a population of 15,896. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City has operated under the council-manager form of government since 1955. Policy making and legislative authority are vested in a City Council consisting of the Mayor and four other Council Members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the department directors. The City Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms. The Mayor serves a one-year term and is selected for the position annually by the City Council as a whole.

The City provides a full range of services, including police protection; the construction and maintenance of highways, streets and other infrastructure; recreational and cultural activities; water and sewer services; and building and safety, land use planning, and zoning control services. In addition, there are the standard internal support services such as payroll, accounts payable, human resources, risk management, budget and financial reporting, and general accounting which are essential to the success of the City's overall operations.

### **Budgeting and Financial Planning**

As a general law city within the State of California, the City of La Palma is required to adopt a budget. The annual budget serves as the foundation for the City's financial planning and control. The budget development process generally begins in January, guided by annual goals established by the City Council as well as the current and long-term fiscal prognosis of the City. Budget development proceeds through the spring with budget adoption typically in June.

The City Manager utilizes the City Council goals and the strategic planning process as the starting point for developing a proposed budget for the subsequent fiscal year. All departments of the City are required to submit requests for appropriations to the City Manager each year. After a series of study sessions and public meetings with the

community and the City Council, the City Manager formally presents the proposed budget to the City Council. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget by June 30, the close of the City's fiscal year.

The appropriated budget is prepared by fund (e.g., General Fund, Gas Tax Fund) and department (e.g., Police, Community Services), with further demarcation of appropriations by program (e.g., Code Enforcement, City Clerk). Department directors may make transfers of appropriations within a department, within the same fund. Transfers of appropriations between departments, however, require the approval of the City Manager. At no time can any budget adjustments increase total appropriations without prior City Council approval.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Successor Housing Special Revenue Fund this comparison is presented as part of the required supplementary information section in the accompanying financial statements. For all other governmental funds that have appropriated annual budgets, this comparison is presented in the supplementary section of the accompanying financial statements.

### **Factors Affecting the City's Financial Condition**

The information presented in the financial statements is best understood when considered within the context of the specific financial and legal environment within which the City operates. The following discussion presents some of the major challenges La Palma faced in the last year, as well as issues which could impact the City in future fiscal years.

#### *Fiscal Condition*

The City has not been immune to the effects of the worst recession since the Great Depression. Even though the recession formally ended in 2009, the depth of the economic retraction continues to affect all aspects of the local economy – from property values to retail activity (i.e., property and sales tax receipts). In response to this, management developed a Sustainable Financial Plan during Fiscal Year 2013-14 that aligns ongoing revenues with ongoing expenditures and assures that one-time revenues are used only for one-time purposes.

In response to declining revenues due to the recession, management undertook a cost containment effort beginning in FY 2009-10. This cost containment effort included analyzing and reorganizing the City's operating strategies. The Fiscal Year 2013-14 budget included a reduction of seven full-time positions, and the Fiscal Year 2014-15 budget included a reduction of an additional two full-time positions. As part of this process, the City's Public Works and Recreation & Community Services departments were consolidated and the Administration and Finance Departments were consolidated. Through these efforts, the City was able to weather the economic downturn and is believed to be operating at optimal efficiency with the least impact to services to residents.

As the economy continues to recover, property tax returns and retail activity will be important factors in the City's overall fiscal health since approximately 63% of Fiscal Year 2014-15 General Fund revenue comes from these two sources.

Property tax and sales tax combined revenues remain \$1.8 million below the 2010 levels, and the reduced revenues have caused the General Fund deficits.

*Dissolution of Redevelopment: Continuing Effects*

The dissolution of redevelopment agencies in the State of California effective January 31, 2012 per AB1X26 and AB1484 continues to affect the City.

In December, 2011, the State Supreme Court upheld AB1X26, the law dissolving redevelopment in California. As of January 31, 2012, the City's Community Development Commission (CDC) ceased to exist as a separate, legal entity able to undertake redevelopment activities. The City Council elected to become the Successor Agency for the former redevelopment agency, and the City's fund accounting and financial reporting was updated accordingly to reflect this new entity in FY 2011-12.

Subject to the control of an oversight board, the assets remaining in the Successor Agency can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The Successor Agency will only receive revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations until all enforceable obligations have been paid in full and all assets have been liquidated.

On April 18, 2013, the City received a Finding of Completion from the State of California Department of Finance. The City will need to continue to effectively deal with the dissolution of redevelopment. Not only will management need to work closely with the DOF and other State agencies to protect its interests, but alternative methods of funding capital projects and economic development activities with which to combat blight will need to be found.

*Funding of Other Post-Employment Benefits*

The City established an irrevocable trust to manage the City's unfunded liabilities related to its retiree health program (Other Post-Employment Benefits [OPEB]). The City deposited \$1.5 million to the trust during 2013-14 resulting in a significant reduction in the amount of the unfunded liability. Establishing the trust allowed the City to meet the ongoing expenses of current retirees while simultaneously funding the projected expenses of future retirees.

Long-term Fiscal Response and Planning

During Fiscal Year 2013-14, the City adopted a Sustainable Financial Plan covering Fiscal Year 2014-15 through 2025-26. The Plan was developed using specific financial principles. The Plan is revenue-based and bases projections on actual experience combined with known impacts, while providing that one-time monies are used only for one-time needs. This Plan will be reviewed annually as part of the budget process and will be refreshed continuously over time. Management is optimistic that a solution can be found to ensure the City's fiscally sustainable future.

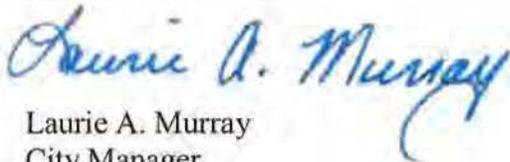
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the year ended June 30, 2014. This was the fifteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current comprehensive annual financial report (for the year ending June 30, 2015) continues to meet the Certificate of Achievement Program's requirements.

The preparation of this report would not have been possible without the dedicated services of the City's entire management team, especially the staff of the Administrative Services Department. Their dedicated efforts in the preparation of the final financial documents are reflected in the quality of this report.

Respectfully submitted,



Laurie A. Murray  
City Manager



Government Finance Officers Association

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

Presented to

**City of La Palma  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**City of La Palma**

**Directory of Officials**

**June 30, 2015**

**CITY COUNCIL**

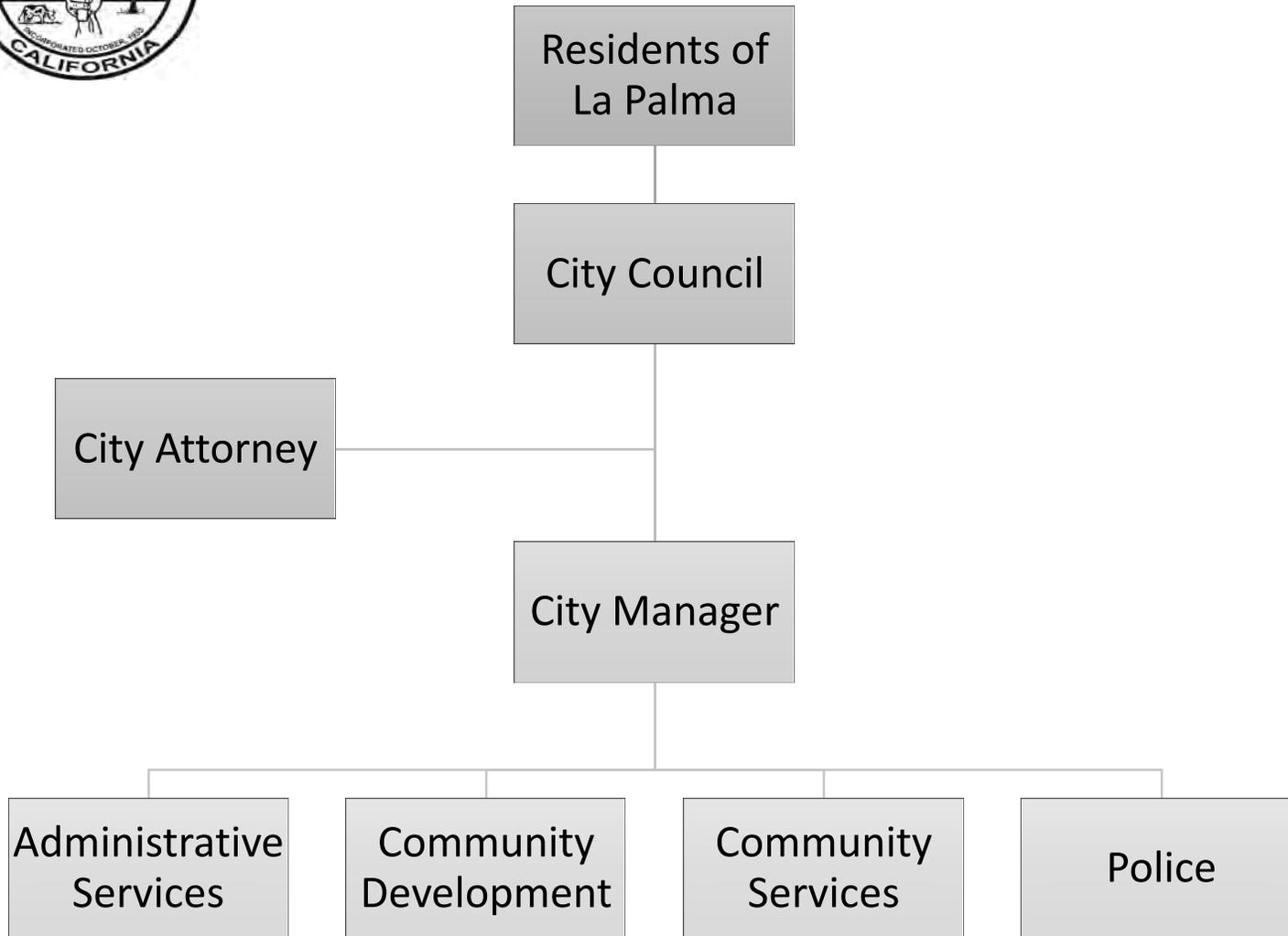
Peter L. Kim, Mayor  
Gerard Goedhart, Mayor Pro Tem  
Steve S. Hwangbo, Councilmember  
Steve Shanahan, Councilmember  
Michele Steggell, Councilmember

**ADMINISTRATION**

Laurie A. Murray, City Manager  
Douglas D. Dumhart, Community Development Director  
Michael S. Belknap, Community Services Director  
Vacant, Administrative Services Director/City Clerk  
Eric R. Nunez, Police Chief



# City of La Palma





## INDEPENDENT AUDITORS' REPORT

The Honorable City Council of  
The City of La Palma  
La Palma, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Palma, California (City), as of and for the year ended June 30, 2015, 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flow, thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the City's proportionate share of the net pension liability, schedules of contributions and schedule of funding progress for OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 fund financial statements and schedules, statistical section, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Vavrinick, Trine, Day & Co. LLP*

Rancho Cucamonga, California  
March 25, 2016

**CITY OF LA PALMA, CALIFORNIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

As management of the City of La Palma (City), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal and the City’s basic financial statements.

This Comprehensive Annual Financial Report consists of the following sections:

- Introductory Section – contains the City Manager’s transmittal letter and organizational information about the City.
- Financial Section – contains the independent auditors’ report, Management’s Discussion & Analysis, Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplementary Schedules.
- Statistical Section – contains information about the financial health of the City including schedules pertaining to financial trends, revenue capacity, debt capacity, and demographic, economic, and operating information.

The discussion and analysis presented herein is intended to serve as an introduction to the City’s basic financial statements. The comparisons in the discussion and analysis are between FY 2013-14 and FY 2014-15. All increases and decreases are expressed relative to FY 2013-14 amounts.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2015, by \$44,156,000 (net position). Of this amount, \$17,500,000 may be used to meet the government’s ongoing obligations to citizens and creditors (unrestricted net position). As discussed in the notes to the financial statements, the City implemented GASB 68 and GASB 71 effective July 1, 2014, resulting in significant reductions to the City’s net position.
- The City’s total net position decreased by \$1,000,000.
- As of June 30, 2015, the City’s governmental funds reported a combined ending fund balance of \$19,176,000, a decrease of \$904,000. Of this amount, \$673,000 is available for spending at the City’s discretion (unassigned fund balance).
- As of June 30, 2015, the unassigned fund balance for the General Fund was \$673,000 or 7.7% of total General Fund expenditures.

Analysis of these balances and changes in balances is provided following the overview of the financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**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. The report also includes required supplementary information and other supplementary information.

The following table summarizes the major features of the City’s basic financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**CITY OF LA PALMA, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
JUNE 30, 2015**

**Major Features of the City's Government-wide and Fund Financial Statements**

	Government-wide Statements	<i>Fund Statements</i>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<b>Scope</b>	Entire City government (except fiduciary funds) and the component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fund net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and deferred outflows and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets that are available to be used and liabilities that come due during the year or soon thereafter; includes deferred inflows of resources which reflect unavailable revenues; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; although allowed, the City's fiduciary funds do not currently contain capital assets
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements - Reporting the City as a Whole**

The accompanying governmental-wide financial statements include two statements that present financial data for the City as a whole. One of the most important questions about the City's finances is, "How is the City as a whole doing financially when compared with the prior fiscal year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that help answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and the changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, increases and decreases in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one should consider other nonfinancial factors such as legislation passed by the State affecting the treatment of revenue and the City's ability to retain assets, changes in the City's property tax base, and the condition of the City's infrastructure, in order to truly assess the *overall health* of the City.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental 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, public works, recreation, and community development. The City's business-type activities are comprised of water and sewer functions.

The government-wide financial statements are in this report's financial section immediately following the Management's Discussion and Analysis.

Note should be taken that the since the State's dissolution of redevelopment agencies (effective January 31, 2012), the Successor Agency to the former Community Development Commission is not reported within the government-wide financial statements. Rather, the financial activities and position of the Successor Agency are reported with the Fiduciary Fund Statements.

**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 of La Palma, like other state and 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Fund balance is categorized into a hierarchy of five classifications: non-spendable, restricted, committed, assigned, and unassigned. These categories facilitate analysis and understanding of the City's commitment of financial resources.

**CITY OF LA PALMA, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
JUNE 30, 2015**

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 reports 12 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, the Successor Housing Fund, and the Capital Outlay Reserve Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the optional supplementary information section of this report.

The City adopts an annual appropriated budget for the General Fund and most of its Special Revenue Funds. No annual budget is adopted for the Capital Outlay Reserve Fund. A budgetary comparison schedule has been provided for the General Fund and each major Special Revenue fund to demonstrate compliance with the budget. These budgetary comparison schedules are found within the Required Supplementary Information Section.

The basic governmental fund financial statements can be found in the financial section of this report immediately following the government-wide financial statements.

**Proprietary Funds** consist of both enterprise and internal service funds. When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that primarily provide supplies and services for the City's other programs and activities.

The City has two enterprise funds – the Water Fund and the Sewer Fund. The internal service funds are for Risk Management, Employee Benefits, Facility Maintenance, Vehicle Maintenance and Replacement, and Technology Maintenance and Replacement. The basic proprietary fund financial statements are found immediately following the governmental fund financial statements.

**Fiduciary Funds** are used to account for resources held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The fiduciary fund financial statements are found immediately following the proprietary fund financial statements.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are found immediately following the fund fiduciary fund financial statements.

**CITY OF LA PALMA, CALIFORNIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
JUNE 30, 2015**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the comparison of budgeted to actual results for the general and major special revenue funds. Required supplementary information is found immediately following the notes to the basic financial statements.

Optional supplementary information is also presented in this report. This supplementary information consists of combining and individual fund statements for non-major governmental funds, the internal service funds, and agency funds. This information is found immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

A summary of the government-wide *Statement of Net Position* as of June 30, 2015, and June 30, 2014, is as follows:

**Condensed Statement of Net Position  
(In Millions)**

	Business-			Business-		
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total
	June 30, 2015			June 30, 2014		
Current and other assets	\$ 26.2	\$ 10.7	\$ 36.9	\$ 26.3	\$ 10.5	\$ 36.8
Capital assets	18.8	6.7	25.5	18.8	7.1	25.9
Total Assets	<u>45.0</u>	<u>17.4</u>	<u>62.4</u>	<u>45.1</u>	<u>17.6</u>	<u>62.7</u>
Deferred Outflows	1.0	0.1	1.1	1.4	0.1	1.5
Long-term debt outstanding	12.1	0.8	12.9	15.7	1.1	16.8
Other liabilities	1.7	0.8	2.5	1.1	0.6	1.7
Total Liabilities	<u>13.8</u>	<u>1.6</u>	<u>15.4</u>	<u>16.8</u>	<u>1.7</u>	<u>18.5</u>
Deferred Inflows	3.7	0.3	4.0	0.5	-	0.5
Net Position:						
Net investment in capital assets	18.8	6.7	25.5	18.8	7.1	25.9
Restricted	1.0	-	1.0	1.0	-	1.0
Unrestricted	8.7	8.9	17.6	9.4	8.9	18.3
Total Net Position	<u>\$ 28.5</u>	<u>\$ 15.6</u>	<u>\$ 44.1</u>	<u>\$ 29.2</u>	<u>\$ 16.0</u>	<u>\$ 45.2</u>

Over time, net position may serve as a useful indicator of a City’s financial position. In the case of the City of La Palma, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$44.1 million at June 30, 2015. A large portion of the City’s net position (\$25.5 million or 57.8%) is its net investment in capital assets (e.g. land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City’s net position (\$1.0 million or 2.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position (\$17.6 million or 39.9%) which may be used to meet the City’s ongoing obligations to citizens and creditors.

**CITY OF LA PALMA, CALIFORNIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**JUNE 30, 2015**

A summary of the government-wide *Statement of Activities* for the fiscal years ending June 30, 2015, and June 30, 2014, is as follows:

**Condensed Statement of Activities**  
(In Millions)

	Business-			Business-		
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total
	June 30, 2015			June 30, 2014		
Revenues:						
Program revenues:						
Charges for services	\$ 1.0	\$ 2.8	\$ 3.8	\$ 1.0	\$ 3.1	\$ 4.1
Operating contributions and grants	1.2	-	1.2	1.1	-	1.1
Capital contributions and grants	-	-	-	0.8	-	0.8
General revenues:						
Property taxes	3.4	-	3.4	3.4	-	3.4
Sales taxes	2.6	-	2.6	2.2	-	2.2
Utility users taxes	1.1	-	1.1	1.1	-	1.1
Other taxes	0.8	-	0.8	0.7	-	0.7
Other general revenues	0.8	0.1	0.9	0.3	-	0.3
Total Revenues	<u>10.9</u>	<u>2.9</u>	<u>13.8</u>	<u>10.6</u>	<u>3.1</u>	<u>13.7</u>
Expenses:						
Program expenses:						
General government	1.4	-	1.4	1.8	-	1.8
Public safety	5.4	-	5.4	6.8	-	6.8
Public works	2.7	-	2.7	2.9	-	2.9
Recreation	1.6	-	1.6	1.8	-	1.8
Community development	0.8	-	0.8	0.9	-	0.9
Interest on long-term debt	-	-	-	-	-	-
Water	-	2.6	2.6	-	2.7	2.7
Sewer	-	0.4	0.4	-	0.5	0.5
Total Expenses	<u>11.9</u>	<u>3.0</u>	<u>14.9</u>	<u>14.2</u>	<u>3.2</u>	<u>17.4</u>
Excess before transfers	(1.0)	(0.1)	(1.1)	(3.6)	(0.1)	(3.7)
Transfers	0.3	(0.3)	-	0.3	(0.3)	-
Contributions from						
Successor Agency	-	-	-	0.7	-	0.7
Extraordinary Gain (Loss)	-	-	-	(0.1)	-	(0.1)
Change in net position	(0.6)	(0.4)	(1.0)	(2.7)	(0.4)	(3.1)
Beginning net position (as restated)	29.2	16.0	45.2	45.3	17.4	62.7
Restatement GASB 68/71	-	-	-	(13.4)	(1.0)	(14.4)
Ending net position	<u>\$ 28.5</u>	<u>\$ 15.6</u>	<u>\$ 44.1</u>	<u>\$ 29.2</u>	<u>\$ 16.0</u>	<u>\$ 45.2</u>

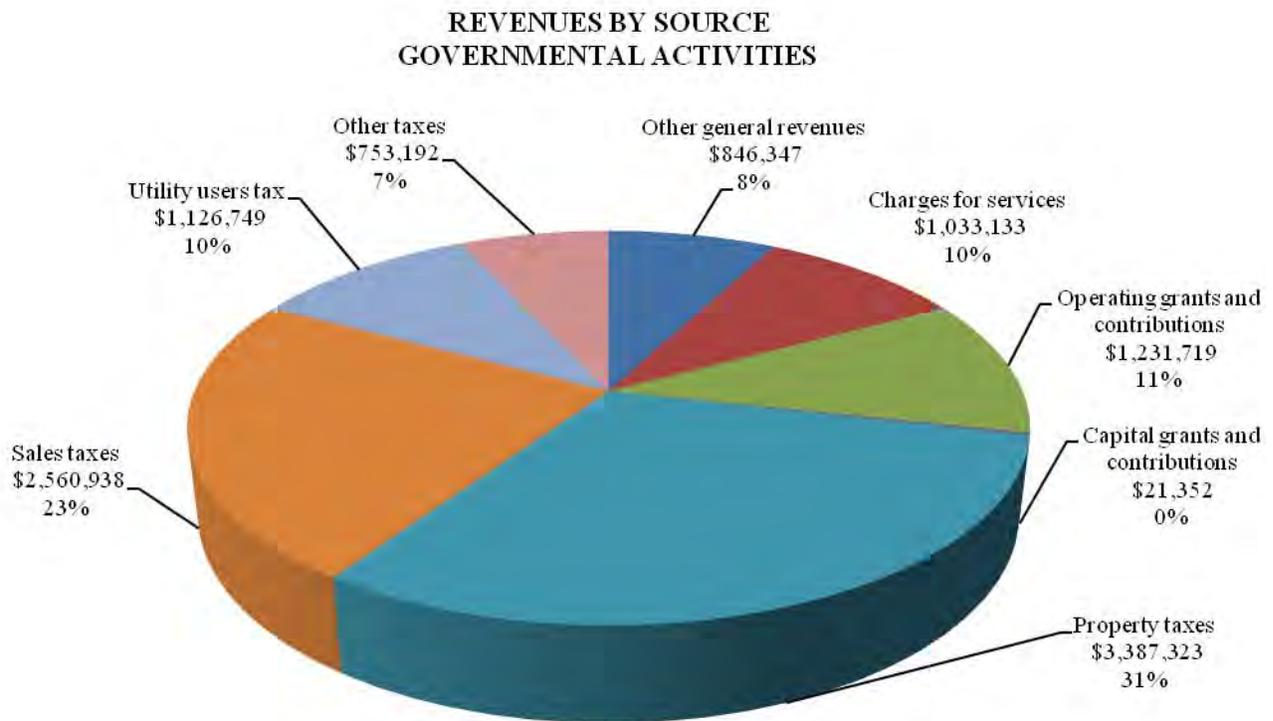
**CITY OF LA PALMA, CALIFORNIA  
 MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2015**

Governmental Activities

Governmental Activities decreased the City’s net position by \$0.6 million during the fiscal year, in contrast to a decrease of \$2.7 million during the prior fiscal year. Key elements of this change include:

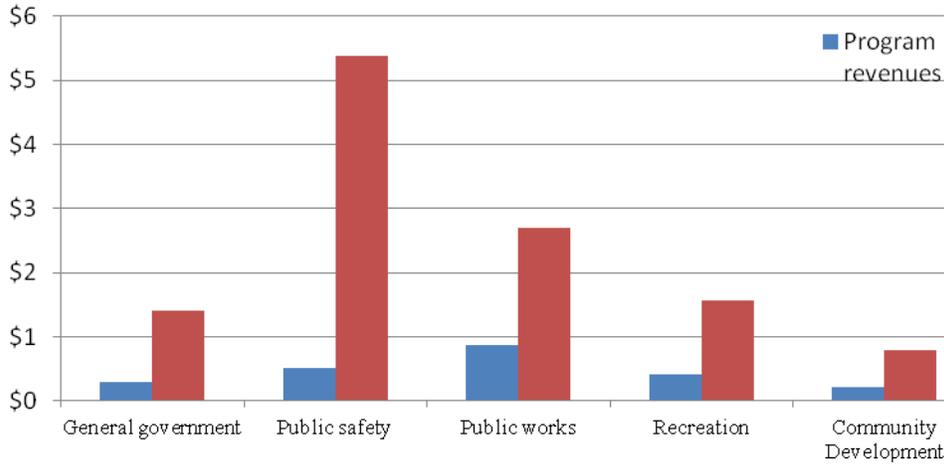
- Revenues increased by \$0.3 million when compared to the previous fiscal year.
- Expenses decreased by \$2.3 million when compared to the previous fiscal year. Public safety decreased by \$1.4 million, and all departments had reductions. The City has done cost reduction measures in all departments, and the prior year expenses included a one-time, city-wide cost of \$1.5 million to fund a trust for the City’s retiree medical benefit program.
- In the prior year, the City received a transfer of property of \$670,000 from the Successor Agency to the Community Development Commission.

The following two charts illustrate the expenses and revenues by source of the City’s Governmental Activities.



**CITY OF LA PALMA, CALIFORNIA  
 MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2015**

**EXPENSES AND PROGRAM REVENUES  
 GOVERNMENTAL ACTIVITIES**



General revenues such as property tax, utility users tax, and sales tax are not shown by program since they are effectively used to support program activities citywide. Program revenues mainly consist of charges for services and program-related grants and contributions. Without regard for program, taxes are the largest single source of governmental revenue for the City (71% of total revenue), followed by grants and contributions (11% of total revenue), charges for services (10% of total revenue), and other general revenue (8% of total revenue).

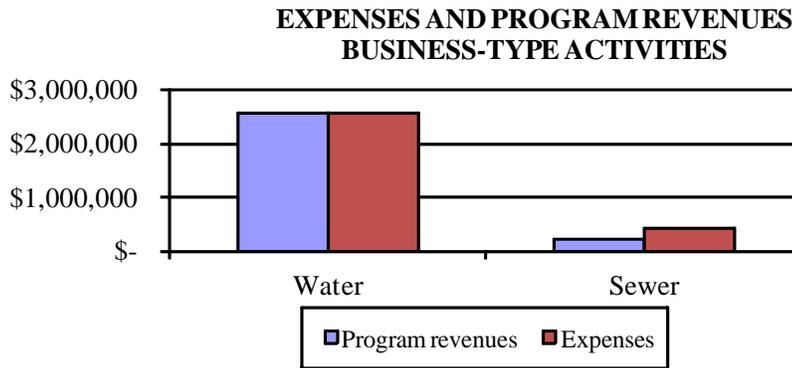
**Business-type Activities**

Business-type activities are financed primarily by fees charged to external parties for goods and services. Business-type activities decreased the City’s net position by \$401,100 in FY 2014-15, comparable to the prior year’s decrease to net position of \$406,000. Program expenses for Water activities were less than program revenues by \$9,000 while program expenses for Sewer activities exceeded program revenues by \$197,000.

**REVENUES BY SOURCE  
 BUSINESS-TYPE ACTIVITIES**



**CITY OF LA PALMA, CALIFORNIA  
 MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2015**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements (i.e., accounting for the receipt and expenditure of restricted funds). At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$19.2 million, a decrease of \$0.9 million in fund balance. Expenditures of \$11.7 million exceeded revenues of \$11.0 million, decreasing fund balance by \$0.7 million; and net transfers out to proprietary funds totaled \$0.2 million.

**Major Governmental Funds** – The **General Fund** is the chief operating fund of the City and comprises approximately 75% of the governmental expenditures of the City. At the end of the current fiscal year, the “spendable” portion of the General Fund’s fund balance (i.e., Committed, Assigned, and Unassigned fund balance) was \$11.2 million, while the total fund balance was \$12.2 million. As a measure of the General Fund's liquidity, it may be useful to compare this “spendable” portion of fund balance to total General Fund expenditures. Using this metric, total General Fund “spendable” fund balance represents 127% of total General Fund expenditures. The General Fund’s Unassigned fund balance was \$0.7 million at June 30, 2015 and represents 7.7% of total General Fund expenditures.

The City’s General Fund had a net decrease to fund balance of \$0.9 million as compared to a prior decrease of \$2.7 million.

The City’s General Fund revenues increased \$0.85 million (10%) from the prior year. Most of this increase is due to \$0.5 million increase to sales tax; the prior year included a repayment of prior years’ over-receipt of sales tax. Property taxes and other revenues had modest increases.

The City's General Fund expenditures decreased \$38,000 (0.4%) from the prior fiscal year. This decrease was due to the City’s continued cost cutting efforts which began in FY 2009-10. All city departments saw decreases from the prior year, which included cost savings resulting from consolidation of the Public Works and Recreation Departments as well as the consolidation of Administration, Finance, and Administrative Services Departments.

The General Fund transferred \$1.5 million less to the employee benefits internal service fund. The prior year included a transfer of \$1.5 million to set up a trust fund for retiree medical costs.

The **Capital Outlay Reserve Fund** has an assigned fund balance of \$5.9 million, a decrease of \$89,000 which compares to the prior year’s increase of \$327,000. The fund’s current year activity consisted of \$37,000 in investment income, capital outlay expenditures of \$1.5 million, and transfers in from the General Fund of \$1.3 million. Included within the Capital Outlay Reserve Fund are monies assigned for one-time capital or non-capital projects, including \$819,500 to fund 800 MHz expenses over the next four years.

**CITY OF LA PALMA, CALIFORNIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
JUNE 30, 2015**

The **Successor Housing Fund** was created as part of the dissolution of redevelopment during the 2011-12 fiscal year. This fund is used to record the non-cash assets formerly held by the former Community Development Commission’s Low and Moderate Income Housing Fund as well as the proceeds from the operation of a senior apartment complex per a 1998 agreement. This fund ended the fiscal year with a fund balance of \$323,000, an increase of \$41,000. All of this fund’s fund balance is restricted for housing activities. The main reason for the increase in fund balance is related to the receipt of \$188,000 return of amounts previously overpaid.

**Major Enterprise Funds.** Unrestricted fund net position of the **Water Fund** at the end of the year totaled \$4.9 million and the **Sewer Fund** was \$4.0 million. The total decrease in fund net position for both funds was \$401,000, which compares to the prior year’s decrease of \$437,000.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In preparing its budgets, the City attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations and activities in a prudent manner. As a result, the City Council adopted budget adjustments during the course of the fiscal year to reflect both changed priorities and availability of additional revenues.

During the year, the City Council amended the originally adopted General Fund budget to decrease revenues by \$197,313. Actual results for the year were \$242,709 more than this final budget. The originally adopted General Fund budget was also amended to decrease expenditures by \$184,938. The actual expenditures for the year were \$154,795 less than this final budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**  
(Net of Accumulated Depreciation)  
(In Millions)

	<b>Business-</b>			<b>Business-</b>		
	<b>Governmental</b>	<b>Type</b>	<b>Total</b>	<b>Governmental</b>	<b>Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>		<b>Activities</b>	<b>Activities</b>	
	<b>June 30, 2015</b>			<b>June 30, 2014</b>		
Land	\$ 6.7	\$ 0.8	\$ 7.5	\$ 6.7	\$ 0.8	\$ 7.5
Construction in progress	0.4	0.1	0.5	0.5	0.3	0.8
Buildings and improvements	5.7	1.3	7.0	5.9	1.3	7.2
Equipment	0.9	1.9	2.8	0.4	2.0	2.4
Vehicles	0.4	-	0.4	0.3	-	0.3
Furniture and fixtures	-	-	-	-	-	-
Infrastructure	4.7	2.6	7.3	5.0	2.7	7.7
<b>Total Capital Assets</b>	<b>\$ 18.8</b>	<b>\$ 6.7</b>	<b>\$ 25.5</b>	<b>\$ 18.8</b>	<b>\$ 7.1</b>	<b>\$ 25.9</b>

The City's investment in capital assets for its *Governmental* and *Business-type Activities* as of June 30, 2015, totaled \$25,590,000 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment, vehicles, furniture and fixtures, and infrastructure. Additional information on the City's capital assets can be found in the notes to the basic financial statements.

**CITY OF LA PALMA, CALIFORNIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
JUNE 30, 2015**

**Long-term Liabilities  
(In Millions)**

	Business-			Business-		
	Governmental Activities	Type Activities	Total	Governmental Activities	Type Activities	Total
	June 30, 2015			June 30, 2014		
Net OPEB obligation	\$ 0.8	\$ -	\$ 0.8	\$ 0.8	\$ -	\$ 0.8
Net pension liability	10.7	0.8	11.5	14.3	1.1	15.4
Compensated absences	0.6	-	0.6	0.6	-	0.6
Total Long-term Liabilities	<u>\$12.1</u>	<u>\$ 0.8</u>	<u>\$12.9</u>	<u>\$ 15.7</u>	<u>\$ 1.1</u>	<u>\$16.8</u>

The amount of general obligation debt a City may issue is limited by state statutes to a maximum of 15% of the City’s total assessed value. The City currently has no general obligation debt, and, therefore, has no debt that is applicable to the limit. Additional information on the City’s long-term liabilities can be found in the notes to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of La Palma adopted a Sustainable Financial Plan during Fiscal Year 2013-14 that outlined a plan for a fiscally sustainable future. The plan aligns ongoing revenues with ongoing expenditures and assures that one-time revenues are used only for one-time purposes. The General Fund has healthy reserves including over \$6 million committed for economic uncertainty and revenue volatility. However, the City is working on a plan to stop the continued annual reductions to the fund balance of the General Fund.

By basing future costs on the principles established in the Sustainable Financial Plan, the City is optimistic that a solution can be found to ensure the City’s fiscally sustainable future.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide the City’s citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Services Department, City of La Palma, 7822 Walker Street, La Palma, California 90623, 714-690-3300. This report can also be found on the City’s website at <http://www.cityoflapalma.org/>.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF LA PALMA, CALIFORNIA**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 21,379,532	\$ 9,054,862	\$ 30,434,394
Receivables:			
Accounts	265,615	597,061	862,676
Interest	66,216	895	67,111
Loans	3,815,666		3,815,666
Internal balances	(1,000,000)	1,000,000	
Due from other governments	615,859	496	616,355
Prepaid items	79,816		79,816
Due from the former CDC Successor Agency	960,104		960,104
Capital assets:			
Capital assets not being depreciated	7,099,703	864,014	7,963,717
Capital assets being depreciated, net of accumulated depreciation	11,742,678	5,884,162	17,626,840
Total Assets	<u>45,025,189</u>	<u>17,401,490</u>	<u>62,426,679</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	995,185	78,737	1,073,922
<b>LIABILITIES</b>			
Accounts payable	1,043,653	779,391	1,823,044
Salaries payable	181,233	15,884	197,117
Retentions payable	33,897	2,500	36,397
Other accrued liabilities	154,171		154,171
Due to other governments	272,852		272,852
Long-term liabilities:			
Net OPEB obligation	771,341		771,341
Net pension liability	10,686,504	797,196	11,483,700
Portion due within one year:			
Compensated absences	155,771		155,771
Portion due beyond one year:			
Compensated absences	467,314		467,314
Total Liabilities	<u>13,766,736</u>	<u>1,594,971</u>	<u>15,361,707</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	3,683,418	299,528	3,982,946
<b>NET POSITION</b>			
Net Investment in capital assets	18,842,381	6,748,176	25,590,557
Restricted for:			
Specific projects and programs	1,054,006		1,054,006
Unrestricted	8,673,833	8,837,552	17,511,385
Total Net Position	<u>\$ 28,570,220</u>	<u>\$ 15,585,728</u>	<u>\$ 44,155,948</u>

See accompanying notes to financial statements.

**CITY OF LA PALMA, CALIFORNIA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 1,398,116	\$ 233,730	\$ 58,032	
Public safety	5,384,720	150,869	359,350	
Public works	2,699,308	47,625	814,337	
Recreation	1,560,849	404,737		
Community development	781,853	196,172		\$ 21,352
<b>Total Governmental Activities</b>	<b>11,824,846</b>	<b>1,033,133</b>	<b>1,231,719</b>	<b>21,352</b>
<b>Business-Type Activities:</b>				
Water	2,564,265	2,573,038		
Sewer	409,108	212,518		
<b>Total Business-Type Activities</b>	<b>2,973,373</b>	<b>2,785,556</b>		
<b>Total</b>	<b>\$ 14,798,219</b>	<b>\$ 3,818,689</b>	<b>\$ 1,231,719</b>	<b>\$ 21,352</b>

**General Revenues:**

**Taxes:**

Property tax

Sales tax

Utility users tax

Franchise tax

Transient occupancy taxes

Investment income

Other

Gain (Loss) on asset disposal

**Total General Revenues**

Transfers in (out)

**Changes in Net Position**

Net Position, Beginning of Year, as restated

Net Position, End of Year

See accompanying notes to financial statements.

Net Revenue (Expense) and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,106,354)		\$ (1,106,354)
(4,874,501)		(4,874,501)
(1,837,346)		(1,837,346)
(1,156,112)		(1,156,112)
(564,329)		(564,329)
(9,538,642)		(9,538,642)
	\$ 8,773	8,773
	(196,590)	(196,590)
	(187,817)	(187,817)
(9,538,642)	(187,817)	(9,726,459)
3,387,323		3,387,323
2,560,938		2,560,938
1,126,749		1,126,749
407,115		407,115
346,077		346,077
205,581	67,828	273,409
676,257	1,916	678,173
(35,491)		(35,491)
8,674,549	69,744	8,744,293
283,100	(283,100)	
(580,993)	(401,173)	(982,166)
29,151,213	15,986,901	45,138,114
\$ 28,570,220	\$ 15,585,728	\$ 44,155,948

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**FUND FINANCIAL STATEMENTS**

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## **GOVERNMENTAL FUNDS**

### GENERAL FUND

The General Fund has been classified as a major fund and is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City. The General Fund is generally used to account for all resources not required to be accounted for in another fund.

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenues that are restricted or committed to expenditures for specified purposes. The following has been classified as a major Special Revenue Fund:

Successor Housing Fund - Used to account for the restricted housing assets of the former Community Development Commission (CDC) which were transferred to the Successor Agency Private Purpose Trust Fund and then transferred to the Successor Housing Fund upon acceptance of the Housing Successor role by the City.

### CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Outlay Reserve Fund -Used to account for the financial resources of the City, segregated for City capital improvement projects.

### NON-MAJOR GOVERNMENTAL FUNDS

Non-major governmental funds include all Special Revenue Funds except for the Successor Housing Fund, and the Capital Outlay Reserve Fund – Capital Projects Fund. Assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of these funds do not exceed 10 percent of total governmental funds and 5 percent of total governmental and enterprise funds, and thus, do not meet the criteria to be classified as major funds.

**CITY OF LA PALMA, CALIFORNIA**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	General Fund	Special Revenue Successor Housing Fund	Capital Projects Capital Outlay Reserve
<b>ASSETS</b>			
Cash and investments	\$ 10,893,070	\$ 558,177	\$ 5,821,330
Receivables:			
Accounts	239,831	20,355	
Interest	65,228	54	546
Loans		3,815,172	
Due from other governments	538,335		
Prepaid items	79,816		
Due from the former CDC Successor Agency	960,104		
Advances to other funds	28,804		500,000
Total Assets	<u>\$ 12,805,188</u>	<u>\$ 4,393,758</u>	<u>\$ 6,321,876</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 287,951		\$ 409,754
Salaries payable	121,171	\$ 3,051	
Retentions payable			29,286
Other accrued liabilities	154,171		
Advances from other funds		4,028,804	
Total Liabilities	<u>563,293</u>	<u>4,031,855</u>	<u>439,040</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>3,146</u>	<u>38,574</u>	
<b>FUND BALANCES</b>			
Nonspendable	1,068,724		
Restricted		323,329	
Committed	10,246,885		
Assigned	250,000		5,882,836
Unassigned	673,140		
Total Fund Balances	<u>12,238,749</u>	<u>323,329</u>	<u>5,882,836</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,805,188</u>	<u>\$ 4,393,758</u>	<u>\$ 6,321,876</u>

See accompanying notes to financial statements.

Non-major Governmental Funds		Total	
\$	809,443	\$	18,082,020
	4,695		264,881
	74		65,902
			3,815,172
	77,524		615,859
			79,816
			960,104
			528,804
<u>\$</u>	<u>891,736</u>	<u>\$</u>	<u>24,412,558</u>

\$	147,536	\$	845,241
	8,912		133,134
	4,611		33,897
			154,171
			4,028,804
<u></u>	<u>161,059</u>	<u></u>	<u>5,195,247</u>

			41,720
--	--	--	--------

			1,068,724
	730,677		1,054,006
			10,246,885
			6,132,836
			673,140
<u></u>	<u>730,677</u>	<u></u>	<u>19,175,591</u>

<u>\$</u>	<u>891,736</u>	<u>\$</u>	<u>24,412,558</u>
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**CITY OF LA PALMA, CALIFORNIA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Fund Balances of Governmental Funds	\$ 19,175,591
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	31,460,324
Accumulated depreciation	(12,617,943)
Pension contributions made subsequent to the measurement date and changes in proportion are reported as deferred outflows of resources.	995,185
Long-term liabilities applicable to governmental activities are not due and payable in the current period, and accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.	
Compensated absences	(623,085)
Other post employment benefits obligation	(771,341)
Pension liability	(10,686,504)
Actual earnings on pension plan assets in excess of projected earnings and differences between actual contributions and the proportionate share of contributions are reported as deferred inflows of resources.	(3,683,418)
Unavailable revenue- resource inflows that do not qualify for recognition as revenue in governmental funds because they are not yet considered to be available.	41,720
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds must be added to the Statement of Net Position.	
Net Position of Internal Service Funds	<u>5,279,691</u>
Net Position of Governmental Activities	<u><u>\$ 28,570,220</u></u>

See accompanying notes to financial statements.

**CITY OF LA PALMA, CALIFORNIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue Successor Housing Fund	Capital Projects Capital Outlay Reserve
<b>REVENUES:</b>			
Taxes	\$ 7,828,202		
Intergovernmental	51,590		
Licenses and permits	357,911		
Fines and forfeitures	144,972		
Investment income	74,237	\$ 97,177	\$ 37,663
Charges for services	539,580		
Rental income	162,640		
Miscellaneous	321,837	199,170	
Total Revenues	9,480,969	296,347	37,663
<b>EXPENDITURES:</b>			
Current:			
General government	1,427,946		
Public safety	4,840,193		
Public works	629,862		
Recreation	1,327,032		
Community development	526,198	255,063	
Capital outlay			1,471,509
Total Expenditures	8,751,231	255,063	1,471,509
Excess (deficiency) of revenues over (under) expenditures	729,738	41,284	(1,433,846)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	283,100		1,345,187
Transfers out	(1,870,613)		
Total Other Financing Sources (Uses)	(1,587,513)		1,345,187
Net Change in Fund Balances	(857,775)	41,284	(88,659)
Fund Balances at Beginning of Year	13,096,524	282,045	5,971,495
Fund Balances at End of Year	\$ 12,238,749	\$ 323,329	\$ 5,882,836

See accompanying notes to financial statements.

Non-major Governmental Funds	Total
	\$ 7,828,202
\$ 1,147,495	1,199,085
	357,911
	144,972
5,340	214,417
21,352	560,932
	162,640
18,161	539,168
<u>1,192,348</u>	<u>11,007,327</u>
	1,427,946
377,484	5,217,677
262,300	892,162
	1,327,032
	781,261
551,143	2,022,652
<u>1,190,927</u>	<u>11,668,730</u>
<u>1,421</u>	<u>(661,403)</u>
	1,628,287
	<u>(1,870,613)</u>
	<u>(242,326)</u>
1,421	(903,729)
729,256	20,079,320
<u>\$ 730,677</u>	<u>\$ 19,175,591</u>

**CITY OF LA PALMA, CALIFORNIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds	\$	(903,729)
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.</p>		
Capital outlay	\$	381,493
Depreciation expense		(583,347)
		<u>(201,854)</u>
<p>Governmental funds report the proceeds from sale of capital assets as revenue. However, in the statement of activities, those proceeds are offset by the net book value of the asset, resulting in a gain or loss on the sale. As a result, fund balances decrease by the amount of the net book value of capital assets sold during the year.</p>		
		(35,491)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in net pension liability		25,434
Compensated absences-current year accruals		(445,023)
Compensated absences-current year retirements		440,029
Net change in OPEB obligation		51,192
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(11,083)
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues of the Internal Service Funds are reported with governmental activities.</p>		
		<u>499,532</u>
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(580,993)</u>

See accompanying notes to financial statements.

## **PROPRIETARY FUNDS**

### ENTERPRISE FUNDS

Enterprise Funds are used for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public be financed or recovered primarily through user charges. The following has been classified as major Enterprise Funds:

Water - To account for revenues and expenses of the operations for the City's water utility. All activities necessary to provide this service are accounted for in this fund, including administration, operations, maintenance, billing collection and depreciation.

Sewer - To account for the revenues and expenses for the maintenance, repair and depreciation of the sewers within the City.

### INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of the City to other departments or agencies on a cost reimbursement basis.

**CITY OF LA PALMA, CALIFORNIA**

**PROPRIETARY FUNDS  
STATEMENT OF FUND NET POSITION  
JUNE 30, 2015**

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Water	Sewer	Totals	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,123,034	\$ 3,931,828	\$ 9,054,862	\$ 3,297,512
Receivables:				
Accounts	550,543	46,518	597,061	734
Interest	503	392	895	314
Loans				494
Due from other governments	496		496	
Total Current Assets	<u>5,674,576</u>	<u>3,978,738</u>	<u>9,653,314</u>	<u>3,299,054</u>
Non-current assets:				
Capital assets				
Capital assets not being depreciated	864,014		864,014	
Capital assets being depreciated, net of accumulated depreciation	4,536,599	1,347,563	5,884,162	293,573
Advances to other funds	500,000	500,000	1,000,000	2,500,000
Total Non-Current Assets	<u>5,900,613</u>	<u>1,847,563</u>	<u>7,748,176</u>	<u>2,793,573</u>
Total Assets	<u>11,575,189</u>	<u>5,826,301</u>	<u>17,401,490</u>	<u>6,092,627</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	54,876	23,861	78,737	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	588,069	191,322	779,391	198,412
Due to other governments				272,852
Salaries payable	13,662	2,222	15,884	48,099
Retentions payable	1,000	1,500	2,500	
Total Current Liabilities	<u>602,731</u>	<u>195,044</u>	<u>797,775</u>	<u>519,363</u>
<b>NON-CURRENT LIABILITIES</b>				
Net pension liability	555,609	241,587	797,196	
Total Liabilities	<u>1,158,340</u>	<u>436,631</u>	<u>1,594,971</u>	<u>519,363</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	208,758	90,770	299,528	
<b>NET POSITION</b>				
Net investment in capital assets	5,400,613	1,347,563	6,748,176	293,573
Unrestricted	4,862,354	3,975,198	8,837,552	5,279,691
Total Fund Net Position	<u>\$ 10,262,967</u>	<u>\$ 5,322,761</u>	<u>15,585,728</u>	<u>\$ 5,573,264</u>

See accompanying notes to financial statements.

**CITY OF LA PALMA, CALIFORNIA**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities			Governmental
	Enterprise Funds			Internal
	Water	Sewer	Totals	Service Fund
Operating revenues:				
Charges for services	\$ 2,573,038	\$ 212,518	\$ 2,785,556	\$ 3,444,879
Miscellaneous	1,729	187	1,916	162,220
Total Operating Revenues	<u>2,574,767</u>	<u>212,705</u>	<u>2,787,472</u>	<u>3,607,099</u>
Operating expenses:				
Personnel services	592,527	97,066	689,593	1,707,286
Maintenance and operations	1,426,591	247,433	1,674,024	254,659
Contractual services	74,864	11,879	86,743	148,134
Depreciation	352,418	44,759	397,177	19,578
Settlement claims and insurance	103,200	5,500	108,700	1,543,439
Administration	14,665	2,471	17,136	
Total Operating Expenses	<u>2,564,265</u>	<u>409,108</u>	<u>2,973,373</u>	<u>3,673,096</u>
Operating Income (Loss)	<u>10,502</u>	<u>(196,403)</u>	<u>(185,901)</u>	<u>(65,997)</u>
NON-OPERATING REVENUES				
Investment income	<u>37,568</u>	<u>30,260</u>	<u>67,828</u>	<u>20,525</u>
Total Non-operating Revenues	<u>37,568</u>	<u>30,260</u>	<u>67,828</u>	<u>20,525</u>
Income before transfers	48,070	(166,143)	(118,073)	(45,472)
Transfers in				525,426
Transfers out	<u>(270,900)</u>	<u>(12,200)</u>	<u>(283,100)</u>	
Change in Fund Net Position	<u>(222,830)</u>	<u>(178,343)</u>	<u>(401,173)</u>	<u>479,954</u>
Fund Net Position at Beginning of Year, as restated	<u>10,485,797</u>	<u>5,501,104</u>	<u>15,986,901</u>	<u>5,093,310</u>
Fund Net Position at End of Year	<u>\$ 10,262,967</u>	<u>\$ 5,322,761</u>	<u>\$ 15,585,728</u>	<u>\$ 5,573,264</u>

See accompanying notes to financial statements.

**CITY OF LA PALMA, CALIFORNIA**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities-			Governmental
	Enterprise Funds			Internal
	Water	Sewer	Totals	Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 2,708,491	\$ 223,518	\$ 2,932,009	
Cash received from internal users				\$ 3,520,996
Cash payments to suppliers for goods and services	(1,416,892)	(149,203)	(1,566,095)	(223,614)
Cash payments for employee services	(700,814)	(105,214)	(806,028)	(3,254,867)
Net Cash Provided By (Used By) Operating Activities	590,785	(30,899)	559,886	42,515
Cash flows from non-capital financing activities:				
Cash payments from other funds				525,426
Cash payments to other funds	(270,900)	(12,200)	(283,100)	
Net Cash Provided by (Used For) Non-Capital Financing Activities	(270,900)	(12,200)	(283,100)	525,426
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(46,873)		(46,873)	(313,151)
Net Cash (Used For) Capital and Related Financing Activities	(46,873)		(46,873)	(313,151)
Cash flows from investing activities:				
Interest income received	37,417	30,172	67,589	20,441
Net Cash Provided By Investing Activities	37,417	30,172	67,589	20,441
Net (Decrease) in Cash and Cash Equivalents	310,429	(12,927)	297,502	275,231
Cash and cash equivalents at beginning of year	4,812,605	3,944,755	8,757,360	3,022,281
Cash and cash equivalents at end of year	\$ 5,123,034	\$ 3,931,828	\$ 9,054,862	\$ 3,297,512
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss):	\$ 10,502	\$ (196,403)	\$ (185,901)	\$ (65,997)
Adjustments to reconcile operating income to net income provided by operating activities:				
Depreciation	352,418	44,759	397,177	19,578
Change in pension expense	(6,087)	(2,648)	(8,735)	
(Increase) decrease in accounts receivable	133,724	10,813	144,537	(734)
(Increase) decrease in loans receivable				702
(Increase) decrease in due from other governments	(248)		(248)	(86,071)
Increase (decrease) in accounts payable	95,548	110,560	206,108	(45,197)
Increase (decrease) in salaries payable	3,928	520	4,448	31,750
Increase (decrease) in accrued liabilities				(84,368)
Increase (decrease) in retentions payable	1,000	1,500	2,500	
Increase (decrease) in due to other governments				272,852
Total Adjustments	580,283	165,504	745,787	108,512
Net Cash Provided By (Used By) Operating Activities	\$ 590,785	\$ (30,899)	\$ 559,886	\$ 42,515

See accompanying notes to financial statements.

## **FIDUCIARY FUNDS**

### **REDEVELOPMENT SUCCESSOR AGENCY PRIVATE-PURPOSE TRUST FUND**

This fund accounts for the assets, liabilities and activities of the former Community Development Commission (CDC) of the City in a trustee capacity to pay enforceable obligations of the former Commission. As more fully explained at Note 16, on February 1, 2012, in accordance with Assembly Bill (AB 1X 26 and 1484) all redevelopment agencies in the State of California were dissolved. All assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund which is used to account for assets held by the City of La Palma's former CDC.

### **AGENCY FUNDS**

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

**CITY OF LA PALMA, CALIFORNIA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	Redevelopment Successor Agency Private-Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 656,434	\$ 76,679
Restricted cash and investments	867,002	
Interest receivable	708	
Total Assets	1,524,144	\$ 76,679
<b>LIABILITIES AND NET POSITION</b>		
Accounts payable	5,470	\$ 1,206
Deposits payable		75,473
Interest payable	21,078	
Bonds payable - current portion	610,000	
Advance payable to City of La Palma	960,104	
Bonds payable - long term portion	3,840,000	
Total Liabilities	5,436,652	\$ 76,679
Net Position (Deficit):		
Held in trust for other governments	\$ (3,912,508)	

See accompanying notes to financial statements.

**CITY OF LA PALMA, CALIFORNIA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

	Redevelopment Successor Agency Private-Purpose Trust Fund
Additions:	
Taxes	\$ 1,463,020
Interest and use of property	2,028
Total Additions	<u>1,465,048</u>
Deductions:	
Program expenses	328,004
Interest and fiscal expenses	283,387
Total Deductions	<u>611,391</u>
Change in net position	853,657
Net Position (Deficit) - Beginning of year	<u>(4,766,165)</u>
Net Position (Deficit) - End of year	<u><u>\$ (3,912,508)</u></u>

See accompanying notes to financial statements.

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**NOTES TO FINANCIAL STATEMENTS**

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## CITY OF LA PALMA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of La Palma, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described below.

#### A. Reporting Entity

The City of La Palma, California was incorporated on October 26, 1955, under the general laws of the State of California. The City operates under an elected Council/City Manager form of government. The City has no component units for which it is financially accountable.

#### B. Fund Accounting

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein the operations of each fund are accounted for in a separate set of self-balancing accounts that records resources, deferred outflows of resources, related liabilities, obligations, deferred inflows of resources, and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following is a summary of the fund types utilized by the City:

#### Governmental Fund Types

- The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenses and capital improvement costs which are not paid through other funds.
- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Fund Types.

The City reports the following major governmental funds:

General Fund – To account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.

Successor Housing Fund – Used to account for the restricted housing assets of the former CDC which were transferred to the CDC Successor Agency Private Purpose Trust Fund and then transferred to the Successor Housing Fund upon acceptance of the Housing Successor role by the City. Revenues are from housing activities and are restricted for housing purposes.

Capital Outlay Reserve Fund - Used to account for the financial resources of the City, segregated for City capital improvement projects.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

**B. Fund Accounting, (Continued)**

Proprietary Fund Types –

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

Water – To account for revenues and expenses of the operations for the City's water utility. All activities necessary to provide this service are accounted for in this fund, including administration, operations, maintenance, billing collection and depreciation.

Sewer – To account for the revenues and expenses for the maintenance, repair and depreciation of the sewers within the City.

Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other departments on a cost-reimbursement basis. The City's Internal Service Funds account for risk management activity, costs of the City's employees plan and workers' compensation insurance, as well as maintenance and replacement costs of City facilities, vehicles, and technology items.

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

Agency Funds are used to account for assets held by the City as an agent for individuals or private organizations and other governmental units. These include Community Center deposits, water construction meter deposits, Orange County sanitation fees, and donations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's Agency Fund accounts for assets held for other governments and various deposits held for individuals or private organizations.

Private Purpose Trust Fund – This fund accounts for the assets, liabilities and activities of the former Community Development Commission of the City in a trustee capacity to pay enforceable obligations of the former Commission. As more fully explained at Note 16, on February 1, 2012, in accordance with Assembly Bills (AB) 1X 26 and 1484, all redevelopment agencies in the State of California were dissolved. All assets and liabilities of the City of La Palma's former Community Development Commission (CDC) were transferred to the Successor Agency Private Purpose Trust Fund.

**C. Measurement Focus and Basis of Accounting**

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

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

## CITY OF LA PALMA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

##### C. Measurement Focus and Basis of Accounting, (Continued)

###### Government–Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non exchange transactions were recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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

###### Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major fund in the aggregate for governmental and enterprise funds. Fiduciary fund statements include financial information for fiduciary funds. Fiduciary funds of the City represent assets held by the City in a custodial capacity for other individuals or organizations, and the assets held by the Private-Purpose Trust Fund for the Successor Agency of the former CDC.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

C. Measurement Focus and Basis of Accounting, (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City considers all revenues available if they are collected within 60 days after year end. Significant revenues subject to accrual under the measurable and available criteria include property taxes, sales taxes and utility user taxes.

Revenue recognition is subject to the measurable and available criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met, and the resources are available.

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of long-term receivables are offset by nonspendable or restricted fund balance accounts.

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

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

## CITY OF LA PALMA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

##### C. Measurement Focus and Basis of Accounting, (Continued)

###### Proprietary Funds and Fiduciary Funds

The City's Enterprise and Internal Service Funds are proprietary funds. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets, deferred outflows of resources, all liabilities (whether current or non-current), and deferred inflows of resources associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the City's proprietary funds is charges for service. Operating expenses include the cost of services provided, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Amounts paid to acquire capital assets are capitalized as assets in the proprietary funds financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the proprietary funds financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as an expense.

##### D. Cash and Investments

Investments are reported in the accompanying statements at fair value. The fair value of the investments is generally based on published market prices and quotations from major investment firms.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except investment income for the Internal Service Funds and the Capital Outlay Reserve Capital Projects Fund is allocated to the General Fund.

##### E. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

**F. Capital Assets**

Acquisitions of capital assets (including infrastructure) are recorded at historical cost at the time of purchase. Donated capital assets are recorded at their fair market value at the time received.

Generally, capital asset acquisitions in excess of \$5,000 (general capital assets) and \$25,000 (infrastructure) are capitalized if they have an expected useful life of one year or more. Capital assets include public domain (infrastructure) capital assets consisting of certain improvements, including streets (pavement, medians, curbs/gutters, sidewalks, traffic signals, monument signs and bridges), storm drains and water/sewer systems and improvements.

Capital assets used in operations are depreciated in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation of such assets is computed using the straight-line method over the estimated useful lives noted below and charged to operations:

Assets	Years
Buildings and improvements	50
Machinery and equipment	5 to 10
Vehicles	5
Furniture and fixtures	5
Infrastructure-streets network	
Pavement	80
Medians	50
Curbs and gutters	75
Sidewalks	75
Traffic signals	30
Monument signs	50
Bridges	75
Infrastructure-storm drains	
Storm drain lines	75
Water system and other improvements	
Water pipes	75
Water hydrants	75
Water services	75
Sewer system and other improvements	
Sewer pipes	75
Sewer manholes	75
Sewer services	75

**G. Compensated Absences**

A liability is recorded for compensated absences (unpaid vacation, sick leave and compensatory time) since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

H. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to one percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas.

Accordingly, the City accrues only those taxes which are received from the county within 60 days after year-end:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

The City participates in a program called the "Teeter Plan," whereby the County distributes 100 percent of the City's portion of the secured tax levy during each fiscal year. In exchange, the City waives the right to collect interest and penalties on any delinquent tax collections received by the County on the secured rolls in future years.

I. Interfund Transfers

In the fund financial statements, transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as transfers out in the reimbursing fund and as transfers in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are also reported as transfers.

J. Advances to Other Funds – Governmental Funds

Non-current portions of long-term interfund loan receivables are reported in the General Fund financial statements as advances and are offset equally by amounts reported within a nonspendable category, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. Non-current portions of long-term interfund loan receivables that are reported in other governmental funds are reported as advances and included as part of fund balance assigned for the purpose of the fund.

K. Designation of Unrestricted Net Position

The government-wide statement of net position reports \$8,837,552 of business-type unrestricted net position, of which \$5,570,496 has been designated, in accordance with City Code. The designation is for Emergency Replacement of Utility Fixed Assets within the Water Fund in the amount of \$3,331,809 and within the Sewer Fund in the amount of \$2,238,687 and is equal to 10 percent of the replacement value of certain fixed assets.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

L. Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including incurred but not reported) has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. In the fund financial statements, these liabilities are recorded in the Internal Service Funds that account for the City's insurance activities.

M. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period, actual results could differ from those estimates.

N. Use of Restricted Resources – Enterprise Funds and Government-wide

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

O. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used by the City to report prepaids.

P. Fund Balance

Fund balance is classified in defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following definitions and classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

The City's policy establishes the procedures for reporting, within the annual financial statements, unrestricted fund balance (comprised of Committed, Assigned, and Unassigned categories) within the City's governmental funds: General Fund, Special Revenue Funds, and Capital Projects Fund.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

P. Fund Balance (Continued)

Definitions

Fund balance is the difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in the City's governmental funds. There are generally limitations on the purpose for which all or a portion of the resources of a governmental fund may be used. The force behind these limitations can vary significantly, depending upon their source. Consequently, the fund balance reported in the annual financial statements is categorized into five components whereby each component identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The five components of fund balance are as follows:

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Resources that are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Council. For the purposes of committing fund balance, both an ordinance or resolution are equally binding.
- **Assigned:** Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed.
- **Unassigned:** The unassigned classification is used by the General Fund, or in the other fund types when there are negative residual resources in excess of what can be properly classified as nonspendable, restricted, committed or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

The City Council has by Resolution authorized the Administrative Services Director the authority to assign unassigned fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

The City's fund balance policy establishes an assignment for unprogrammed/unfunded capital and infrastructure projects. It is the City's intent that the fund balances for the Capital Outlay Reserve Fund and the One-time Projects Capital Projects Fund (a component of the Capital Outlay Reserve Fund) be considered to be assigned for the purpose of the fund.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

P. Fund Balance (Continued)

The City committed an initial \$9,000,000 of the General Fund fund balance for Emergency Reserves. Sixty percent of this initial commitment is reserved for economic uncertainties and the remaining forty percent is committed for capital reserves. Appropriations from the Emergency Reserve commitment can only be made by formal City Council action. At June 30, 2015, this commitment totaled \$5,398,181 and \$3,598,788 for economic uncertainties and capital reserves, respectively. The City also committed an initial amount of \$250,000 of the General Fund fund balance for economic development. Appropriations from the economic development commitment can only be made by formal action of the City Council. At June 30, 2015, the commitment totaled \$249,916. Additionally, the City committed an initial \$1,000,000 of the General Fund fund balance for a Revenue Volatility Reserve.

The City's fund balance policy established assigned fund balance in the General Fund of \$250,000 for a Cash Flow Float.

Q. Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has deferred outflows related to pensions, which arises only under a full accrual basis of accounting. Accordingly, these items (pension related items), are reported only in the government-wide and enterprise fund statements of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 deferred inflows of resources related to pensions, which arises only under a full accrual basis of accounting. Accordingly, these items (pension related items), are reported only in the government-wide and enterprise fund statements of net position. These amounts (see Note 10) are amortized by an actuarial determined period. In addition, the City's governmental funds reports one of these items which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

R. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) Plans (Plans) and additional to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

S. New GASB Pronouncements

Implemented during 2014-2015

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The City implemented this pronouncement effective July 1, 2014.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The Statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The City implemented this pronouncement effective July 1, 2014.

Effective in Future Years

GASB Statement No. 72 – In March, 2015, GASB issued Statement No. 72 - *Fair Value Measurement and Application*, which would generally require state and local governments to measure investments at fair value. GASB’s goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government’s financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015, with early application encouraged. The City has not determined the effect on the financial statements.

GASB Statement No. 73 - In June, 2015, GASB issued Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – effective for fiscal years beginning after June 15, 2015. The City has not determined the effect on the financial statements.

GASB Statement No. 74 - In June, 2015, GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – effective for fiscal years beginning after June 15, 2016. This statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43. The City has not determined the effect on the financial statements.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)*

R. New GASB Pronouncements, (Continued)

Effective in Future Years (Continued)

GASB Statement No. 75 - In June, 2015, GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – effective for fiscal years beginning after June 15, 2017. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The City has not determined the effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for fiscal years beginning after June 15, 2015. The City has not determined the effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for fiscal years beginning after December 15, 2015. The City has not determined the effect on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension. The Statement is effective for fiscal years beginning after December 15, 2015. The City has not determined the effect on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement is effective for fiscal years beginning after June 15, 2015. The City has not determined the effect on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for fiscal years beginning after June 15, 2016. The City has not determined the effect on the financial statements.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 2 – CASH AND INVESTMENTS*

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments \$ 30,434,394

Fiduciary funds:

Cash and investments 733,113

Restricted cash and investments 867,002

Total Cash and Investments \$ 32,034,509

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand \$ 7,725

Deposits with financial institutions 994,775

Investments 31,032,009

Total Cash and Investments \$ 32,034,509

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

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

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	Yes	5 years	None	5%
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	5%
Commercial Paper	Yes	270 days	25%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	Yes	1 year	None	5%
Reverse Repurchase Agreements	Yes	92 days	20% of base value	5%
Supranationals	Yes	5 years	30%	None
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$50,000,000 per Account	None
JPA Pools (other investment pools)	Yes	N/A	None	None

\*Based on state law requirements or investment policy requirements, whichever is more restrictive.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 2 – CASH AND INVESTMENTS, (Continued)*

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Money Market Mutual Funds	N/A	None	5%
Repurchase Agreements	30 days	None	None
Investment Contracts	30 years	None	None

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.

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

Investment Type	Totals	<i>Remaining Maturity (In Months)</i>		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Investments held by City:				
Local Agency Bonds	\$ 440,831	\$ 315,743	\$ 125,088	
U.S Treasury Notes	6,456,736		3,536,093	\$ 2,920,643
Federal Agency Securities	6,796,527		4,335,567	2,460,960
Corporate Note	6,219,207		2,024,895	4,194,312
Certificate of Deposit	5,336,613	1,710,312	3,001,650	624,651
LAIF	4,805,995	4,805,995		
Money Market Mutual Funds	108,989	108,989		
Federal Agency Securities				
GNMA	110		110	
Investments held by Fiscal Agent:				
Federal Agency Securities	861,389			861,389
Money Market Mutual Funds	5,612	5,612		
Total	<u>\$ 31,032,009</u>	<u>\$ 6,946,651</u>	<u>\$ 13,023,403</u>	<u>\$ 11,061,955</u>

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 2 – CASH AND INVESTMENTS, (Continued)*

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 from S & P as of year end for each investment type.

Investment Type	Totals	Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A	Not Rated
Investments held by City:						
Local Agency Bonds	\$ 440,831	N/A		\$ 315,743		\$ 125,088
U.S Treasury Notes	6,456,736	N/A				6,456,736
Federal Agency Securities	6,796,527	N/A		6,796,527		
Corporate Note	6,219,207	A	\$ 849,595	2,885,752	\$ 2,483,860	
Certificate of Deposit	5,336,613	N/A	2,893,449	1,833,260	609,904	
LAIF	4,805,995	N/A				4,805,995
Money Market Mutual Funds	108,989	AAA	108,989			
Federal Agency Securities						
GNMA	110	N/A				110
Held by fiscal agent						
Federal Agency Securities	861,389	N/A		861,389		
Money Market Mutual Funds	5,612	N/A				5,612
Total	<u>\$ 31,032,009</u>		<u>\$ 3,852,033</u>	<u>\$ 12,692,671</u>	<u>\$ 3,093,764</u>	<u>\$ 11,393,541</u>

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount, as noted on page 44 that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Banks	Federal Agency Securities	\$ 3,021,274
Federal Home Loan Mortgage Corporation	Federal Agency Securities	2,055,786
Federal National Mortgage Association	Federal Agency Securities	1,719,467

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 2 – CASH AND INVESTMENTS, (Continued)*

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC)

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The California Local Agency Investment Fund is not insured or collateralized.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND DUE FROM SUCCESSOR AGENCY*

Long-term interfund receivables and payables at June 30, 2015 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Private-Purpose Trust Fund	\$ 960,104
General Fund	Successor Housing Fund	28,804
Capital Outlay Reserve	Successor Housing Fund	500,000
Water	Successor Housing Fund	500,000
Sewer	Successor Housing Fund	500,000
Internal service funds	Successor Housing Fund	2,500,000
		<u>4,028,804</u>
	Total Advances	<u>\$ 4,988,908</u>

- A. During the year ended June 30, 2001, the City Council authorized a \$4,933,000 advance to the former CDC. The CDC then used the proceeds to make a loan to a developer for the construction of a senior citizens affordable rental housing project. Interest on the advance accrues at a rate equal to the rate of return on City investments in LAIF plus 2.375 percent. Annual principal and interest payments were due from the former CDC over 30 years. Additionally, as part of this transaction, a Ground Lease Agreement was entered into on November 17, 1998, whereby the City leased the property referred to as the construction site to the former CDC for a term of 55 years (with two additional option periods of five year each) for a sum of \$110,000 per year.

As more fully explained at Note 16, on February 1, 2012, all redevelopment agencies in the State of California were dissolved. All assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund. Additionally, subsequent to February 1, 2012, and as allowable per the legislation, the City of La Palma accepted the role of “Housing Successor” and established the Successor Agency Housing Fund and as a result, certain housing assets and liabilities were transferred from the former CDC Successor Agency Private Purpose Trust Fund to the Successor Agency Housing Fund, including this Advance Payable. The outstanding balance at June 30, 2015, is \$4,028,804 and is recorded as an advance from various City funds. Any payment to repay the Advances is to be made from the net income of the Successor Housing Fund. No payments have been made since the dissolution of redevelopment agency to repay the Advances.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND DUE FROM SUCCESSOR AGENCY, (Continued)*

B. In July 2002, the City loaned \$1,500,000 to the former CDC, for the purpose of assisting the CDC in meeting certain contractual obligations pertaining to the redevelopment of its project area. As more fully explained at Note 16, on February 1, 2012, all redevelopment agencies in the State of California were dissolved. All assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund. As a result, the outstanding balance of the advance was transferred to the former CDC Successor Agency Private Purpose Trust Fund. The outstanding balance of the loan as of June 30, 2015, is \$960,104 and is recorded as a Due from former CDC Successor Agency in the General Fund and Government-Wide Statement of Net Position of the City. Per the agreement, all amounts are to be repaid no later than fiscal year ending June 30, 2018. During fiscal year 2013-2014, the Successor Agency received the Finding of Completion which allowed the Successor Agency to add the obligation to begin paying the advance to the Recognized Obligation Payment Schedule (ROPS) beginning in fiscal year 2014-2015. The amount to be paid back to the General Fund is restricted to 50 percent of the residual earnings of the Successor Agency after all enforceable obligations and payments to affected taxing agencies have been deducted from the gross revenue. Furthermore, twenty percent (20%) of any loan repayment is required to be transferred to the City’s Successor Housing Fund. The receivable is expected to be paid by the Successor Agency with residual tax increment by July 1, 2027.

*NOTE 4 – INTERFUND TRANSFERS*

Interfund transfers for the year ended June 30, are as follows:

Transfers In	Transfers Out	Amount
Capital Outlay Reserve	General Fund	\$ 1,345,187 (A)
General Fund	Water	270,900 (B)
General Fund	Sewer	12,200 (B)
Risk Management	General Fund	458,426 (C)
Computer Maintenance	General Fund	67,000 (C)
	Total Interfund Transfers	<u>\$ 2,153,713</u>

Purpose of Interfund Transfers

- A. The General Fund transferred \$1,345,187 to the Capital Outlay – Capital Projects Fund for various Capital Projects.
- B. The General Fund charged the Water and Sewer Funds \$270,900 and \$12,200, respectively, for administrative costs.
- C. The General Fund transferred \$458,426 and \$67,000 to the Risk Management and Computer Maintenance Internal Service Funds, respectively, to fund the City’s remaining balance of the Liability Insurance Retrospective Deposit to CJPIA and to finance capital expenditures.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 5 – LOANS RECEIVABLE*

Loans receivable consists of the following at June 30, 2015:

Governmental Funds	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Loan Receivable - Rental Housing Project	\$ 4,024,089		\$ (247,490)	\$ 3,776,599
Loans Receivable - Housing Loans	49,631		(11,058)	38,573
Total Governmental Fund Loans	<u>\$ 4,073,720</u>		<u>\$ (258,548)</u>	3,815,172
			Internal Service Fund	
			Computer Loans	494
			Total governmental activities	<u>\$ 3,815,666</u>

Rental Housing Project Loan

During the year ended June 30, 2001, the former CDC loaned \$4,933,000 to a developer for the construction of a senior citizens affordable rental housing project. Interest on the loan accrued at a rate equal to the rate of return on City investments in LAIF plus 2.375 percent. The senior housing operator (“Seasons”) makes monthly payments to the City based on its operating income. During the fiscal year the Successor Housing Fund received \$247,490 from the operator. The balance of this loan at June 30, 2015, was \$3,776,599.

Housing Loans

The former CDC provided \$5,000 second mortgages for the Denni Street Affordable Housing project. This mortgage had no payment for a period of ten years from the date of the original buyer’s purchase. The loans accrue a 3 percent simple interest until it is repaid in full. There were a total of 62 initial loans for the Denni Street Affordable Housing project. The former CDC accepted full payment of some loans on or after the ten year Anniversary Date. These loans were transferred from the Successor Agency to the Successor Housing Fund during the fiscal year 2011-12 as a result of the dissolution of the former CDC. As of June 30, 2015, there were 14 remaining loans outstanding with a total balance of \$38,573.

Computer Loans

The City has a Computer loan program for its employees (related party transactions). No new loans were issued during 2014-15 and the outstanding loan balances as of June 30, 2015, totaled \$494. This amount is recorded in the Employee Benefits Internal Service Fund.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 6 – CAPITAL ASSETS*

A summary of capital asset activity for the year ended June 30, 2015 is as follows:

Governmental Activities:	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 1,602,281			\$ 1,602,281
Land rights related to streets	5,104,472			5,104,472
Construction in progress	501,692		\$ (108,742)	392,950
Total Capital Assets Not Being Depreciated	7,208,445		(108,742)	7,099,703
<b>Capital Assets, Being Depreciated:</b>				
Buildings and improvements	8,750,304	\$ 81,494	(8,385)	8,823,413
Equipment	1,206,589	586,707	(58,770)	1,734,526
Vehicles	2,011,498	135,187	(135,536)	2,011,149
Furniture and fixtures	123,638		(29,200)	94,438
Infrastructure-streets network	11,020,911			11,020,911
Infrastructure-storm drains	676,184			676,184
Total Capital Assets Being Depreciated	23,789,124	803,387	(231,891)	24,360,621
<b>Less Accumulated Depreciation for:</b>				
Buildings and improvements	(2,884,562)	(198,391)	8,385	(3,074,568)
Equipment	(796,456)	(107,678)	41,016	(863,118)
Vehicles	(1,697,207)	(60,795)	117,797	(1,640,205)
Furniture and fixtures	(123,638)		29,200	(94,438)
Infrastructure-streets network	(6,352,477)	(204,539)		(6,557,016)
Infrastructure-storm drains	(376,654)	(11,944)		(388,598)
Total Accumulated Depreciation	(12,230,994)	(583,347)	196,398	(12,617,943)
Total Capital Assets, Being Depreciated, Net	11,558,130	220,040	(35,493)	11,742,678
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 18,766,575</b>	<b>\$ 220,040</b>	<b>\$ (144,235)</b>	<b>\$ 18,842,381</b>

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 6 – CAPITAL ASSETS, (Continued)*

Business-type Activities	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 754,000			\$ 754,000
Construction in progress	240,941	\$ 46,873	\$ (177,800)	110,014
Total Capital Assets Not Being Depreciated	994,941	46,873	(177,800)	864,014
<b>Capital Assets, Being Depreciated:</b>				
Buildings and improvements	7,839,661			7,839,661
Vehicles	15,118			15,118
Machinery and equipment	3,326,378	177,800		3,504,178
Water system and other improvements	3,008,913			3,008,913
Sewer system and other improvements	3,211,542			3,211,542
Total Capital Assets Being Depreciated	17,401,612	177,800		17,579,412
<b>Less Accumulated Depreciation for:</b>				
Buildings and improvements	(6,543,741)	(42,122)		(6,585,863)
Vehicles	(9,069)	(4,031)		(13,100)
Machinery and equipment	(1,277,670)	(268,098)		(1,545,768)
Water system and other improvements	(1,628,968)	(40,124)		(1,669,092)
Sewer system and other improvements	(1,838,625)	(42,802)		(1,881,427)
Total Accumulated Depreciation	(11,298,073)	(397,177)		(11,695,250)
Total Capital Assets, Being Depreciated, Net	6,103,539	(219,377)		5,884,162
Business-type Activities Capital Assets, Net	<u>\$ 7,098,480</u>	<u>\$ (172,504)</u>	<u>\$ (177,800)</u>	<u>\$ 6,748,176</u>

Depreciation expense was charged to functions for the year ended June 30, 2015 as follows:

<b>Governmental Activities:</b>	
General government	\$ 18,545
Public safety	159,563
Public works	246,791
Recreation	158,448
Total Depreciation Expense - Governmental Activities	<u>\$ 583,347</u>
<b>Business-type Activities:</b>	
Water	\$ 352,418
Sewer	44,759
Total Depreciation Expense - Business-type Activities	<u>\$ 397,177</u>

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 7 – CHANGES IN LONG-TERM LIABILITIES*

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

Governmental Activities	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Portion Due Within One Year
Compensated absences	\$ 618,091	\$ 445,023	\$ (440,029)	\$ 623,085	\$ 155,771
Total long-term liabilities	\$ 618,091	\$ 445,023	\$ (440,029)	\$ 623,085	\$ 155,771

Compensated absences are generally liquidated by the General Fund.

*NOTE 8 – OTHER POST EMPLOYMENT RETIREMENT BENEFITS*

Plan description

The City provides post-employment benefits to retired employees in the form of a contribution towards their medical premiums under the CalPERS health plan which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. The minimum required retiree contributions are established by CalPERS. Survivor benefits are not provided. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with five years of service and are eligible for a PERS pension and are enrolled in a CalPERS retiree health plan. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30,

	General	Management	Safety	Professional	Total
Retirees Receiving Benefits	2	2	25	0	29
Eligible Active Employees	19	4	29	7	59

The above table does not reflect current retirees not enrolled in the CalPERS health plan that may be eligible to enroll in the plan at a later date.

Funding Policy

The City’s current year contribution is based on pay-as-you-go. The City’s monthly contribution rate was \$122 for the Management, General, and Professional groups; \$416 for the Police and Safety Management groups. For the year ended June 30, 2015, the City paid \$122,123 directly to CalPERS towards their post-employment health care benefits. Current active employees are not required to contribute any portion towards these benefits.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 8 – OTHER POST EMPLOYMENT RETIREMENT BENEFITS, (Continued)*

Funding Policy, (Continued)

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

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

	<b><u>June 30, 2015</u></b>
Annual required contribution	\$ 79,318
Interest on net OPEB obligation	57,577
Adjustment to annual required contribution	<u>(65,964)</u>
Annual OPEB cost (expense)	70,931
Contributions made	<u>(122,123)</u>
Decrease in net OPEB obligation	(51,192)
Net OPEB obligation, Beginning of Year	<u>822,533</u>
Net OPEB obligation, End of Year	<u><u>\$ 771,341</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding year, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 155,293	69.70%	\$ 780,092
6/30/2014	156,395	72.90%	822,533
6/30/2015	70,931	172.17%	771,341

Funding Status and Progress

As of June 30, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$2,138,285 and the actuarial value of assets was \$1,490,734, resulting in an unfunded actuarial accrued liability (UAAL) of \$647,551 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 70 percent. The covered payroll (annual payroll of active employees) was \$4,379,991 and the ratio of the UAAL to the covered payroll was 48.8 percent. During the fiscal year ended June 30, 2014, the City made a one-time contribution to CalPERS of \$1,500,000 to prefund the OPEB Trust Fund with CalPERS. As a result, the annual required contribution (ARC) for the years ended June 30, 2014 and June 30, 2015 reduced from \$156,395 to \$70,931, respectively, after the current actuarial study.

## CITY OF LA PALMA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

#### *NOTE 8 – OTHER POST EMPLOYMENT RETIREMENT BENEFITS, (Continued)*

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

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included an annual healthcare cost trend rate of 4 percent annual and a 2.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years with an open amortization period. It is assumed the City's payroll will increase 2.75 percent per year. The actuarial assumptions included a 7.25 percent investment rate of return.

#### *NOTE 9 – LIABILITY, PROPERTY, AND WORKERS COMPENSATION PROTECTION*

#### Description of self insurance pool pursuant to Joint Powers Agreement

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

#### Self-insurance programs of the CJPIA

*General liability* – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims from subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 9 – LIABILITY, PROPERTY, AND WORKERS COMPENSATION PROTECTION, (Continued)*

*Self-insurance programs of the CJPIA, (Continued)*

*Workers' compensation* – The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Associate of Counties – Excess Insurance Authority members. Costs in excess of \$3,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

*Purchased Insurance*

*Pollution legal liability insurance* – The City participates in the pollution legal liability and remediation legal liability insurance which is available through CJPIA. This program covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis and has been underwritten by a private insurance company. There is a \$50,000 deductible. Each member of CJPIA has a \$10,000,000 limit.

*Property insurance* – The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies.

The City's property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

*Earthquake and flood insurance* – The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA which is underwritten by several insurance companies.

There is a deductible of 5 percent of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

*Crime insurance* – The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through CJPIA.

Premiums are paid annually and are not subject to retroactive adjustments.

*Adequacy of protection*

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

## CITY OF LA PALMA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

#### *NOTE 10 – DEFINED BENEFIT PENSION PLAN (PERS)*

As previously described at Note #1R New Accounting Pronouncements, the implementation of GASB Statement No. 68 was required and was implemented by the City as of July 1, 2014. Among other requirements, this statement required the recognition of the City's proportionate share of the Plans' Net Pension Liability on the Statement of Net Position. As such, the City has recognized a noncurrent liability as Net Pension Liability, in the amount of \$11,483,700 on the Statement of Net Position. In addition, the implementation of this statement requires the disclosure of specific information relating to the actuarial valuation and the related plans which are disclosed below.

#### A. Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan that acts as a common investment and administrative agent for participating entities within the State of California. The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Fund C (PERF C). CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a public Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, membership information, and related financial information can be found on the CalPERS website.

#### B. Benefits Provided

CalPERS provides 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 the plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees Pension Reform Act of 2013 (PEPRA) became effective January 1, 2013. This means that the City now has three defined benefit pension plan "tiers" for eligible employees. Tier 1 (established on July 1, 2003), provides a defined benefit plan formula for Miscellaneous employees of 2.7 percent at 55 and for Safety employees of 3.0 percent at 50. Tier 1 applies to all eligible employees hired on or before June 30, 2011.

As part of labor negotiations and in an effort to put in place long-term retirement cost savings, a Tier 2 defined benefit plan program was created effective for all eligible employees hired on or after July 1, 2011. Miscellaneous employees have a benefit formula of 2.0 percent at 60 and Safety employees have a benefit formula of 2.0 percent at 55.

The PEPRA Tier (Tier 3) is in effect for new employees hired after January 1, 2013, who have a six-month break in CalPERS service or have never worked for a CalPERS covered agency. Miscellaneous employees have a benefit formula of 2.0 percent at 62 and Safety employees have a benefit formula of 2.0 percent at 57.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 10 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)*

**B. Benefits Provided (Continued)**

In addition, labor agreements over the past few years phased in provisions for increasing member (employee) contributions towards the employee share of retirement costs. In FY 2013-14, the phasing in was complete with Miscellaneous employees in Tier 1, contributing the full eight percent (8.0 percent) member contribution amount and Safety employees in Tier 1 contributing the full nine percent (9.0 percent) member contribution amount. Tier 2 employees, Miscellaneous and Safety, are required to pay the full member contribution amount (7 percent and 8 percent respectively) upon hire and Tier 3 (PEPRA) employees, Miscellaneous and Safety, are required to pay 50% of the normal cost with the City paying the other 50% (6.25% and 10.25% respectively).

The Plans provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	Tier 3 (PEPRA)
	Prior to June 30, 2011	On or after July 1, 2011	After January 1, 2013
Hire Date			
Formula	2.7% @55	2.0% @60	2.0% @62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of annual salary	2.70%	2.00%	2.00%
Required employee contribution rate	16.69%	8.01%	6.25%
Required employer contribution rate	8%	7%	6.25%
	Safety		
	Tier 1	Tier 2	Tier 3 (PEPRA)
	Prior to June 30, 2011	On or after July 1, 2011	After January 1, 2013
Hire Date			
Formula	3.0% @50	2.0% @55	2.0% @57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of annual salary	3.00%	2.00%	2.00%
Required employee contribution rate	29.56%	16.60%	10.25%
Required employer contribution rate	9%	8%	10.05%

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 10 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)*

**C. Contributions**

As described in Section B above, all City employees pay the entire portion of the member contribution amount. The City is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members (the employer contribution). The contractually required employer contribution rates for fiscal year 2014-15 differ depending on whether the employee is a Tier 1, Tier 2, or Tier 3 member.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups.

For the year ended June 30, 2015, the contributions for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Contributions - employer	\$ 366,951	\$ 589,871	<u>\$ 956,822</u>

**D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2015, the City’s reported net pension liabilities for its proportionate shares of the net pension liability of each Plan are as follows:

	<u>Proportionate Share of Net Pensions Liability</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Miscellaneous	\$ 3,628,466	\$ 797,196	\$ 4,425,662
Safety	7,058,038		7,058,038
Total Net Pension Liability	<u>\$ 10,686,504</u>	<u>\$ 797,196</u>	<u>\$ 11,483,700</u>

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 10 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)*

D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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, 2014 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, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 is as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2013	0.0750%	0.1159%	0.1910%
Proportion - June 30, 2014	0.0711%	0.1134%	0.1846%
Change - Increase (Decrease)	<u>-0.0039%</u>	<u>-0.0025%</u>	<u>-0.0064%</u>

At the year ended June 30, 2015, the City recognized pension expense of \$922,654. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made subsequent to the measurement date	\$ 956,822	
Differences between actual contributions and proportionate share of contributions		\$ (364,665)
Difference between projected and actual earnings on pension plan investments		(3,618,281)
Changes in proportions	117,100	
Total	<u>\$ 1,073,922</u>	<u>\$ (3,982,946)</u>

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 10 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)*

D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The amount of \$956,822 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2016	\$ (992,986)
2017	(992,986)
2018	(975,303)
2019	(904,571)
	<u>\$ (3,865,846)</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous &amp; Safety</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age Service
Investment Rate of Return	7.5% <sup>(1)</sup>
Mortality Rate Table <sup>(2)</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Projection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>(1)</sup> Net of pension plan investment and administrative expenses; includes inflation.

<sup>(2)</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 10 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)*

**E. Actuarial Assumptions (Continued)**

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Long-Term Expected Rate of Return**

In determining the long-term expected 7.50 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees’ Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 the fund. The expected rate of return was set by calculating the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for the Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return Years 1-10	Long-term Expected Real Rate of Return Years 11 +
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	4.50%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 10 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)*

**H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City’s net pension liability, calculated using the discount rate, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
1% Decrease (6.5%) La Palma's proportionate share of the net pension liability	\$ 7,885,157	\$ 12,145,972	\$ 20,031,129
Discount Rate (7.5%) La Palma's proportionate share of the net pension liability	4,425,662	7,058,038	11,483,700
1% Increase (8.5%) La Palma's proportionate share of the net pension liability	1,554,605	2,865,802	4,420,407

**I. Pension Plan Fiduciary Net Position**

Detailed information about the pension plans fiduciary net position is available in the separately issued CalPERS financial reports.

*NOTE 11 – PUBLIC AGENCY RETIREMENT SYSTEM (PARS)*

PARS is a defined contribution pension plan. On April 18, 2000, the City Council authorized the City to become a member of the Public Agency Retirement Systems (PARS) Trust, a governmental trust, effective July 1, 2000, for its eligible part-time, seasonal and temporary employees. The City Manager is the Plan Administrator and has the authority for establishing or amending the plan’s provision. This is an alternative retirement system for those not covered by a CalPERS retirement plan. Under PARS, the City and the employee each contribute 3.75 percent of compensation for a total annual contribution of 7.5 percent. For the year ended June 30, 2015, the amount contributed by the City was \$3,573. Employees are fully vested at all times. The City has entered into an agreement with Phase II Systems to provide trust administrator services.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 12 – LITIGATION*

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City. Additionally, City management believes that sufficient reserves are available to the City to cover any potential losses, should an unfavorable outcome materialize.

*NOTE 13 – JOINTLY GOVERNED ENTITIES – ORANGE COUNTY FIRE AUTHORITY*

The City entered into a joint powers agreement with 17 other cities and the County of Orange in January 1995, and subsequently amended on September 23, 1999, to create the Orange County Fire Authority (the Authority). Since 1995, other cities within the County have also joined the Authority to bring the total members in the Authority to 23. 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, hazardous materials regulation, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each city and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through either the property tax roll or with cash contributions based on the Authority's annual budget. The County pays all structural fire fees it collects to the Authority.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2015. 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. Separate audited financial statements may be obtained from the Authority at 180 South Water Street, Orange, California 92866.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 14 – FUND BALANCES*

The details of the Fund Balance Classifications as of June 30, 2015 are presented below:

	Major Governmental Funds			Total
	General	Successor Housing Fund	Capital Outlay Reserve	
<b>Nonspendable:</b>				
Prepaid Items	\$ 79,816			\$ 79,816
Loans receivable	960,104			960,104
Advances from other Funds	28,804			28,804
<b>Restricted for:</b>				
Public Information				\$ 181,416
Capital Projects				388,854
Public Safety				160,407
Affordable Housing		\$ 323,329		323,329
<b>Committed for:</b>				
Economic Uncertainty	5,398,181			5,398,181
Capital Projects	3,598,788			3,598,788
Revenue Volatility Reserve	1,000,000			1,000,000
Economic Development	249,916			249,916
<b>Assigned for:</b>				
Cash Float Reserve	250,000			250,000
Capital Projects			\$ 5,063,336	5,063,336
One-Time Projects			819,500	819,500
<b>Unassigned:</b>	673,140			673,140
Total Fund Balance	<u>\$ 12,238,749</u>	<u>\$ 323,329</u>	<u>\$ 5,882,836</u>	<u>\$ 19,175,591</u>

*NOTE 15 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

The following funds had expenditures in excess of budget in the following amounts for the year ended June 30.

Non-Major Fund:	
Special Revenue Fund:	
Streets Fund	\$ (80,799)
Supplemental Law Enforcement	(15,824)

The budget of the City's capital projects are primarily "long-term" budgets which emphasize major programs and capital outlay plans extending over a number of fiscal periods. Therefore, no budget-to-actual schedules are presented for the Capital Projects Funds.

There are no legally adopted budgets for the Abandoned Vehicles – Special Revenue Fund and the Park Development Fund – Special Revenue Fund.

## CITY OF LA PALMA, CALIFORNIA

### NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

#### *NOTE 16 – SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF FORMER REDEVELOPMENT AGENCY*

##### A. General Discussion

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of La Palma that previously had reported a redevelopment agency, the Community Development Commission, within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-09.

Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

On April 18, 2013, the City received a Finding of Completion from the State of California Department of Finance (DOF). The Finding of Completion allows the Successor Agency Oversight Board to approve the interfund advances from the City to the former CDC on the Recognized Obligation Payment Schedule (ROPS) beginning on July 1, 2014. The Finding of Completion also allows the Successor Agency to utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants, per HSC Section 34191.4(c). The Oversight Board has approved the interfund advances on all ROPS submitted to the Department of Finance.

Pursuant to AB 1X 26 and AB 1484 (Health and Safety Code Section 34167.5), the State Controller is required to review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred from January 1, 2011, to January 31, 2012, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur and the government agency that received the asset is not contractually committed to a third party, then the State Controller shall order that the assets be returned to the successor agency. The City received a final report from the State Controller in April 2014. The controller's report concluded that the Successor Agency had \$121,148 in unallowable transfers to the City. Additionally, the City identified \$8,566 in additional net unallowed transfers and transferred a net total of \$112,582 from various City funds back to the Successor Agency Private-Purpose Trust Fund during fiscal year 2013-14.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 16 – SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF FORMER REDEVELOPMENT AGENCY, (Continued)*

**B. Successor Agency Long-term Debt**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
1993 Tax Allocation Bonds	\$ 1,630,000		\$ (265,000)	\$ 1,365,000	\$ 285,000
2001 Tax Allocation Bonds	3,395,000		(310,000)	3,085,000	325,000
Advances from the City of La Palma	960,104			960,104	
	<u>\$ 5,985,104</u>		<u>\$ (575,000)</u>	<u>\$ 5,410,104</u>	<u>\$ 610,000</u>

1993 Tax Allocation Bonds

On December 1, 1993, the former CDC issued tax allocation bonds in the amount of \$5,100,000 to finance a portion of the cost of the redevelopment area known as the Former CDC Project Area. The bonds are in denominations of \$5,000 each and bear interest at rates ranging from 3.30 percent to 6.10 percent. Principal is payable annually on June 1. Interest is payable semiannually on June 1 and December 1. The balance at June 30, 2015 was \$1,365,000.

2001 Refunding Tax Allocation Bonds

On December 1, 2001, the CDC issued tax allocation bonds in the amount of \$6,200,000 to refund \$5,760,000 of 1991 tax allocation bonds previously issued and outstanding by the CDC. The refunding bonds are in denominations of \$5,000 each and bear interest at rates ranging from 2.5 percent to 5.50 percent. Principal is payable annually on June 1. Interest is payable semiannually on June 1 and December 1. Bonds maturing on or before June 1, 2011, are not subject to call or redemption prior to maturity. Bonds maturing on or after June 1, 2012, may be redeemed at par plus a premium. As of June 30, 2015, \$3,085,000 of 2001 refunding tax allocation bonds were outstanding.

Advance from the City of La Palma

As disclosed at Note 3B, the former redevelopment agency (CDC) borrowed funds from the City for the purpose of assisting a third-party business operation rehabilitate its property, per the scope and guidelines of redevelopment law in force at the time of the loan (1999). As of June 30, 2015, the Successor Agency has received the Finding of Completion from the State of California Department of Finance which allows the Successor Agency to place the advance to the City back onto the Recognized Obligation Payment Schedule (ROPS) beginning with fiscal year 2014-2015. The annual payment to the City on the Advance is limited to 50% of the residual earnings of the Successor Agency after all other enforceable obligations and payments to affected taxing agencies have been paid. The balance due to the City consists of the unpaid principal portion as of February 1, 2012, and does not include any accrued interest. The amount of interest that can be charged to the Successor Agency on the Advance Payable is limited by AB 1X 26 and AB 1484 to the LAIF interest rate. As disclosed at Note 3B, the Successor Agency has projected sufficient cash flow from residual tax increment to pay back the Advance by July 1, 2027. Furthermore, twenty percent (20%) of any loan repayment is required to be transferred to the City’s Successor Housing Fund.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 16 – SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF FORMER REDEVELOPMENT AGENCY, (Continued)*

C. Owner Participation Agreements

The former CDC entered into an Owner Participation Agreement in May 2002 with a business enterprise whereby the Commission disbursed \$1,500,000 to the enterprise for the purpose of rehabilitating certain real property within the City. Under the terms of the agreement, the cost of the project is expected to be recovered by the former CDC through increased sales tax revenues. At the end of the project's fifteenth year, the business enterprise must pay the former CDC any portion of the cost not recovered. During the current fiscal year ended June 30, 2015, \$160,336 was recovered, bringing the total recovered to date of \$1,483,200 and ending balance of \$16,800.

The Successor Agency has determined that this balance is not a receivable because the structure of the agreement reflects the form of an advance against future cash flow from a portion of the sales tax generated at the site. It will only become a receivable if an amount remains to be recovered at the end of the project's fifteenth operating year.

D. Developer Disposition Agreement

As part of a Developer Disposition Agreement entered into by the former CDC during fiscal year 2010-2011, property purchased by the former CDC was transferred to a developer on April 4, 2012, in exchange for a loan receivable in the amount of \$1.4 million (the value of the property). The loan receivable was to be forgiven by the former CDC upon completion of the 12-unit housing project with six units available at affordable rates (three low and three moderate income). The project was completed in June 2012. The Developer Disposition Agreement was approved by the former CDC's Board on June 21, 2011, through Resolution No. CDC 2011-18.

*NOTE 17 – COMMITMENTS*

The City entered into an Operating Covenant Agreement in December 2013 with a business enterprise whereby the City shall rebate to the business enterprise on a calendar quarterly basis an amount equal to one-half (50%) of all of the net sales tax up to \$3,000,000 and 70% of all net sales tax in excess of \$3,000,000 received by the City from the sale of the business enterprise's products within the City's limits. The term of the Operating Covenant shall be for twenty (20) years and shall automatically renew for an additional ten (10) years thereafter unless the business enterprise provides written notice not less than 90 days before to the expiration date. The business enterprise may terminate the agreement at any time upon 180 days with prior written notice to the City. Rebate payments to the business enterprise shall be made in quarterly installments by City, after receipt of sales tax revenue.

For the fiscal year ended June 30, 2015, a total amount of \$665,675 was rebated to the business enterprise, and is reflected as a reduction of tax revenues in the General Fund.

**CITY OF LA PALMA, CALIFORNIA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*NOTE 18 – PRIOR PERIOD ADJUSTMENTS*

As discussed under Note 1R, the City implemented GASB 68 and 71 effective July 1, 2014. Refer to Note 10 for further disclosures related to the Plan and related balances. As a result of the implementation, the City restated beginning net position as noted below:

	Government wide Statements		Proprietary Fund Statements	
	Governmental Activities	Business-Type Activities	Water	Sewer
Net Position, beginning of year, as previously reported	\$ 42,551,384	\$ 17,013,623	\$ 11,201,375	\$ 5,812,248
Contributions after the measurement date - deferred outflows of resources	1,355,597	105,465	73,505	31,960
Net Pension Liability as of the measurement date of June 30, 2013	(14,303,796)	(1,089,256)	(759,161)	(330,095)
Difference between actual contributions and proportionate share -deferred inflows of resources	(451,972)	(42,931)	(29,922)	(13,009)
Net Position, beginning of year, as restated	<u>\$ 29,151,213</u>	<u>\$ 15,986,901</u>	<u>\$ 10,485,797</u>	<u>\$ 5,501,104</u>

Following is the pro forma effect of the retroactive application:

	June 30, 2014 Previously Presented	Restatement	July 1, 2014 Restated
<b>Governmental Activities:</b>			
Deferred outflows of resources		\$ 1,355,597	\$ 1,355,597
Net pension liability		(14,303,796)	14,303,796
Deferred inflows of resources		(451,972)	451,972
Net Position	\$ 42,551,384	(13,400,171)	29,151,213
<b>Business-Type Activities:</b>			
Deferred outflows of resources		105,465	105,465
Net pension liability		(1,089,256)	1,089,256
Deferred inflows of resources		(42,931)	42,931
Net Position	17,013,623	(1,026,722)	15,986,901
<b>Water Fund:</b>			
Deferred outflows of resources		73,505	73,505
Net pension liability		(759,161)	759,161
Deferred inflows of resources		(29,922)	29,922
Net Position	11,201,375	(715,578)	10,485,797
<b>Sewer Fund:</b>			
Deferred outflows of resources		31,960	31,960
Net pension liability		(330,095)	330,095
Deferred inflows of resources		(13,009)	13,009
Net Position	5,812,248	(311,144)	5,501,104

In accordance with GASB 68 and 71, the restatement of all deferred outflows and inflows was not practical and therefore not included in the restatement of beginning balances.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF LA PALMA, CALIFORNIA**

**OTHER POST EMPLOYMENT BENEFITS (OPEB)  
FOR THE YEAR ENDED JUNE 30, 2015**

The following schedule summarizes the City of La Palma’s funding progress for OPEB:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2/1/2012	\$ -	\$ 3,312,376	\$ 3,312,376	0%	\$ 4,611,195	71.8%
6/30/2013	1,500,000	1,893,010	393,010	79%	4,788,525	39.5%
6/30/2015	1,490,734	2,138,285	647,551	70%	4,379,991	48.8%

**CITY OF LA PALMA, CALIFORNIA**

**MISCELLANEOUS PLAN  
SCHEDULE OF PROPORONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

**Schedule of City of La Palma's Proportionate Share of the Net Pension Liability  
Miscellaneous Plan**

As of the fiscal year ending June 30:  
Last Ten Years\*

	<u>2015</u>
City's proportion of the collective net pension liability	0.0711%
City's proportionate share of the net pension liability	\$ 4,425,662
Covered - employee payroll	\$ 2,275,639
City's proportionate share of the net pension liability as a percentage of covered employee payroll	194.48%
Plan fiduciary net position as a percentage of the total pension liability	79.82%
Measurement date	June 30, 2014

\* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CITY OF LA PALMA, CALIFORNIA**

**MISCELLANEOUS PLAN  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Schedule of Contributions  
Miscellaneous Plan  
As of the fiscal year ending June 30:  
Last Ten Years\***

<b>Miscellaneous</b>	<b>2015</b>
Actuarially determined contributions	\$ 366,951
Contributions in relation to the actuarially determined contribution	(366,951)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,307,738
Contributions as a percentage of covered-employee payroll	15.90%

\* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CITY OF LA PALMA, CALIFORNIA**

**SAFETY PLAN  
SCHEDULE OF PROPORONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

**Schedule of City of La Palma's Proportionate Share of the Net Pension Liability  
Safety Plan**

As of the fiscal year ending June 30:  
Last Ten Years\*

	<u><b>2015</b></u>
City's proportion of the collective net pension liability	0.1134%
City's proportionate share of the net pension liability	\$ 7,058,038
Covered - employee payroll	\$ 2,276,625
City's proportionate share of the net pension liability as a percentage of covered employee payroll	310.02%
Plan fiduciary net position as a percentage of the total pension liability	79.82%

\* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CITY OF LA PALMA, CALIFORNIA**

**SAFETY PLAN  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Schedule of Contributions  
Safety Plan  
As of the fiscal year ending June 30:  
Last Ten Years\***

<b>Safety</b>	<b>2015</b>
Actuarially determined contributions	\$ 589,871
Contributions in relation to the actuarially determined contribution	(589,871)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,072,253
Contributions as a percentage of covered-employee payroll	28.47%

\* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CITY OF LA PALMA, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION  
MAJOR FUNDS – BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of the general services by the City. The General Fund is generally used to account for all the resources not required to be accounted for in another fund. The budget and actual comparison for this fund has been presented in the accompanying financial statements as required supplementary information.

SPECIAL REVENUE FUNDS

Successor Housing Fund – This Fund was used to account for housing assets of the former CDC which were transferred to the CDC Successor Agency Private Trust Fund and then transferred to the Successor Housing Fund upon acceptance of the Housing Successor role by the City, also refer to Note 16.

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 7,924,773	\$ 7,574,310	\$ 7,828,202	\$ 253,892
Intergovernmental	23,200	30,100	51,590	21,490
Licenses and permits	276,300	300,300	357,911	57,611
Fines and forfeitures	160,500	145,500	144,972	(528)
Investment income	65,000	65,000	74,237	9,237
Changes for services	520,800	527,550	539,580	12,030
Rental income	164,500	176,200	162,640	(13,560)
Miscellaneous	300,500	419,300	321,837	(97,463)
<b>Total Revenues</b>	<b>9,435,573</b>	<b>9,238,260</b>	<b>9,480,969</b>	<b>242,709</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,422,117	1,424,317	1,427,946	(3,629)
Public safety	5,193,493	4,957,070	4,840,193	116,877
Public works	667,240	649,900	629,862	20,038
Recreation	1,280,964	1,345,634	1,327,032	18,602
Community development	527,150	529,105	526,198	2,907
<b>Total Expenditures</b>	<b>9,090,964</b>	<b>8,906,026</b>	<b>8,751,231</b>	<b>154,795</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>344,609</b>	<b>332,234</b>	<b>729,738</b>	<b>397,504</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	283,100	283,100	283,100	
Transfers out	(621,995)	(1,870,613)	(1,870,613)	
<b>Total Other Financing Sources (Uses)</b>	<b>(338,895)</b>	<b>(1,587,513)</b>	<b>(1,587,513)</b>	
<b>Net Change in Fund Balance</b>	<b>5,714</b>	<b>(1,255,279)</b>	<b>(857,775)</b>	<b>397,504</b>
Fund Balance, Beginning of Year	13,096,524	13,096,524	13,096,524	
Fund Balance, End of Year	<b>\$ 13,102,238</b>	<b>\$ 11,841,245</b>	<b>\$ 12,238,749</b>	<b>\$ 397,504</b>

See accompanying note to required supplementary information.

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SUCCESSOR AGENCY HOUSING  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income			\$ 97,177	\$ 97,177
Miscellaneous	\$ 260,000	\$ 260,000	199,170	(60,830)
Total Revenues	<u>260,000</u>	<u>260,000</u>	<u>296,347</u>	<u>36,347</u>
<b>EXPENDITURES</b>				
Current				
Community development	258,200	258,200	255,063	3,137
Total Expenditures	<u>258,200</u>	<u>258,200</u>	<u>255,063</u>	<u>3,137</u>
Net Change in Fund Balance	1,800	1,800	41,284	39,484
Fund Balance, Beginning of Year	282,045	282,045	282,045	
Fund Balance, End of Year	<u>\$ 283,845</u>	<u>\$ 283,845</u>	<u>\$ 323,329</u>	<u>\$ 39,484</u>

See accompanying note to required supplementary information.

**CITY OF LA PALMA, CALIFORNIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

*NOTE 1 – BUDGETARY CONTROL AND ACCOUNTING*

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying schedules:

- Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General, and Special Revenue Funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments.
- Reported budget amounts represent the original legally adopted budget as amended. Individual amendments were not material in relation to the original adopted budget amounts. The City Council may amend the budget to increase appropriations only by a duly adopted minute resolution during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIII B of the State Constitution. Management can transfer, without City Council approval, budgeted amounts provided that they do not increase or decrease total fund appropriations adopted by City Council.
- Unexpended budgeted amounts lapse at the end of the budget year. Spending control for the funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels.
- Expenditures may not legally exceed overall budgeted appropriations.

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**SUPPLEMENTARY SCHEDULES**

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**NON-MAJOR FUNDS**

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## **CITY OF LA PALMA, CALIFORNIA**

### **NON-MAJOR SPECIAL REVENUE YEAR ENDED JUNE 30, 2015**

**Special Revenue Funds** are used to account for and report revenue proceeds of specific revenue resources that are restricted to expenditure for specific purposes. The City of La Palma has nine Special Revenue Funds classified as non-major:

Streets – To account for receipts and expenditures of money apportioned under the Streets and Highways Code Sections 2105, 2106, 2107 and 2107.5 of the State of California. The funds are restricted for expenditures that are used for the maintenance, rehabilitation and improvements of public streets.

Measure M – To account for receipts and expenditures of money apportioned under Measure M of the County of Orange. The funds are restricted for expenditures that are used for maintaining and improving public transportation projects.

Park Development – To account for revenues and expenditures restricted to the development and renovation of City parks. No budget was adopted for the fiscal year.

Air Quality Improvement – To account for receipts and expenditures of motor vehicle registration fees collected in accordance with California Assembly Bill 2766. This fee was levied to fund programs to reduce air pollution from mobile sources such as cars, trucks and buses. No budget was adopted for the fiscal year.

Supplemental Law Enforcement Service – To account for state monies received in accordance with California Assembly Bill 3229 to be used as a supplement for law enforcement systems.

Public Safety Augmentation – To account for special tax augmentation funds generated by a ½ cent sales tax under Proposition 172 of the State of California. These funds are restricted for public safety programs.

Abandoned Vehicles – To account for monies received as vehicle abatement for abandoned vehicles. The monies are restricted for public safety. No budget was adopted for the fiscal year.

Assets Seizure Fund – To account for monies received from the Regional Narcotics Suppression Program (RNSP) that are restricted to be used for law enforcement related expenditures.

PEG Fund – To account for public education and governmental fees which are restricted for use in providing information to the public through bulletins and public service announcements.

**CITY OF LA PALMA, CALIFORNIA**

**NON-MAJOR GOVERNMENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<u>Special Revenue Funds</u>			
	<u>Streets</u>	<u>Measure M</u>	<u>Park Development</u>	<u>Air Quality Improvement</u>
<b>ASSETS</b>				
Cash and investments	\$ 20,267	\$ 361,620	\$ 43,686	\$ 66,408
Receivables:				
Accounts				
Interest	5	31		6
Due from other governments	886	44,115		5,175
Total Assets	<u>\$ 21,158</u>	<u>\$ 405,766</u>	<u>\$ 43,686</u>	<u>\$ 71,589</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 12,590	\$ 133,501		
Salaries payable	2,644			
Retentions payable	4,611			
Total Liabilities	<u>19,845</u>	<u>133,501</u>		
<b>FUND BALANCES</b>				
Restricted	1,313	272,265	43,686	71,589
Total Fund Balances	<u>1,313</u>	<u>272,265</u>	<u>43,686</u>	<u>71,589</u>
Total Liabilities and Fund Balances	<u>\$ 21,158</u>	<u>\$ 405,766</u>	<u>\$ 43,686</u>	<u>\$ 71,589</u>

Special Revenue Funds

Supplemental Law Enforcement Service	Public Safety Augmentation	Abandoned Vehicles	Assets Seizure	PEG Funds	Total
\$ 43,373	\$ 44,177	\$ 25,848	\$ 27,359	\$ 176,705	\$ 809,443
				4,695	4,695
5	4	3	3	17	74
	12,695		14,653		77,524
<u>\$ 43,378</u>	<u>\$ 56,876</u>	<u>\$ 25,851</u>	<u>\$ 42,015</u>	<u>\$ 181,417</u>	<u>\$ 891,736</u>
			\$ 1,445		\$ 147,536
\$ 892	\$ 3,323		2,053		8,912
					4,611
<u>892</u>	<u>3,323</u>		<u>3,498</u>		<u>161,059</u>
<u>42,486</u>	<u>53,553</u>	<u>25,851</u>	<u>38,517</u>	<u>181,417</u>	<u>730,677</u>
<u>42,486</u>	<u>53,553</u>	<u>25,851</u>	<u>38,517</u>	<u>181,417</u>	<u>730,677</u>
<u>\$ 43,378</u>	<u>\$ 56,876</u>	<u>\$ 25,851</u>	<u>\$ 42,015</u>	<u>\$ 181,417</u>	<u>\$ 891,736</u>

**CITY OF LA PALMA, CALIFORNIA**

**NON-MAJOR GOVERNMENT FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds			
	Streets	Measure M	Park Development	Air Quality Improvement
<b>REVENUES</b>				
Intergovernmental	\$ 417,259	\$ 374,931		\$ 19,722
Investment income	689	1,270	\$ 185	467
Charges for services			21,352	
Miscellaneous				
Total Revenues	<u>417,948</u>	<u>376,201</u>	<u>21,537</u>	<u>20,189</u>
<b>EXPENDITURES</b>				
Current:				
Public safety				
Public works	258,235			4,065
Capital outlay	<u>384,678</u>	<u>133,501</u>		
Total Expenditures	<u>642,913</u>	<u>133,501</u>		<u>4,065</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(224,965)</u>	<u>242,700</u>	<u>21,537</u>	<u>16,124</u>
Net Change in Fund Balances	<u>(224,965)</u>	<u>242,700</u>	<u>21,537</u>	<u>16,124</u>
Fund Balances at Beginning of Year	<u>226,278</u>	<u>29,565</u>	<u>22,149</u>	<u>55,465</u>
Fund Balances at End of Year	<u>\$ 1,313</u>	<u>\$ 272,265</u>	<u>\$ 43,686</u>	<u>\$ 71,589</u>

Special Revenue Funds

Supplemental Law Enforcement Service	Public Safety Augmentation	Abandoned Vehicles	Assets Seizure	PEG Funds	Total
\$ 103,045	\$ 171,020		\$ 61,518		\$ 1,147,495
262	440	\$ 203	517	\$ 1,307	5,340
				18,161	21,352
					18,161
<u>103,307</u>	<u>171,460</u>	<u>203</u>	<u>62,035</u>	<u>19,468</u>	<u>1,192,348</u>
72,024	192,852		112,608		377,484
			32,964		262,300
					551,143
<u>72,024</u>	<u>192,852</u>		<u>145,572</u>		<u>1,190,927</u>
31,283	(21,392)	203	(83,537)	19,468	1,421
31,283	(21,392)	203	(83,537)	19,468	1,421
11,203	74,945	25,648	122,054	161,949	729,256
<u>\$ 42,486</u>	<u>\$ 53,553</u>	<u>\$ 25,851</u>	<u>\$ 38,517</u>	<u>\$ 181,417</u>	<u>\$ 730,677</u>

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL  
STREETS FUND – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 414,762	\$ 469,526	\$ 417,259	\$ (52,267)
Investment income	270	270	689	419
Total Revenues	415,032	469,796	417,948	(51,848)
<b>EXPENDITURES</b>				
Current:				
Public works	319,700	319,899	258,235	61,664
Capital outlay	242,215	242,215	384,678	(142,463)
Total Expenditures	561,915	562,114	642,913	(80,799)
Net Change in Fund Balance	(146,883)	(92,318)	(224,965)	(132,647)
Fund Balance, Beginning of Year	226,278	226,278	226,278	
Fund Balance, End of Year	\$ 79,395	\$ 133,960	\$ 1,313	\$ (132,647)

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL  
MEASURE M FUND – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 307,189	\$ 307,189	\$ 374,931	\$ 67,742
Investment income			1,270	1,270
Total Revenues	<u>307,189</u>	<u>307,189</u>	<u>376,201</u>	<u>69,012</u>
<b>EXPENDITURES</b>				
Current:				
Capital outlay	<u>288,732</u>	<u>288,732</u>	<u>133,501</u>	<u>155,231</u>
Total Expenditures	<u>288,732</u>	<u>288,732</u>	<u>133,501</u>	<u>155,231</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,457</u>	<u>18,457</u>	<u>242,700</u>	<u>224,243</u>
Net Change in Fund Balance	<u>18,457</u>	<u>18,457</u>	<u>242,700</u>	<u>224,243</u>
Fund Balance, Beginning of Year	<u>29,565</u>	<u>29,565</u>	<u>29,565</u>	
Fund Balance, End of Year	<u>\$ 48,022</u>	<u>\$ 48,022</u>	<u>\$ 272,265</u>	<u>\$ 224,243</u>

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL  
AIR QUALITY IMPROVEMENT FUND – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 19,722	\$ (278)
Investment income	300	300	467	167
Total Revenues	<u>20,300</u>	<u>20,300</u>	<u>20,189</u>	<u>(111)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	20,000	20,000	4,065	15,935
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>4,065</u>	<u>15,935</u>
Net Change in Fund Balance	300	300	16,124	15,824
Fund Balance, Beginning of Year	55,465	55,465	55,465	
Fund Balance, End of Year	<u>\$ 55,765</u>	<u>\$ 55,765</u>	<u>\$ 71,589</u>	<u>\$ 15,824</u>

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL  
SUPPLEMENTAL LAW ENFORCEMENT SERVICE FUND – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,045	\$ 3,045
Investment income	300	300	262	(38)
Total Revenues	<u>100,300</u>	<u>100,300</u>	<u>103,307</u>	<u>3,007</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>56,200</u>	<u>56,200</u>	<u>72,024</u>	<u>(15,824)</u>
Total Expenditures	<u>56,200</u>	<u>56,200</u>	<u>72,024</u>	<u>(15,824)</u>
Net Change in Fund Balance	44,100	44,100	31,283	(12,817)
Fund Balance, Beginning of Year	<u>11,203</u>	<u>11,203</u>	<u>11,203</u>	
Fund Balance, End of Year	<u>\$ 55,303</u>	<u>\$ 55,303</u>	<u>\$ 42,486</u>	<u>\$ (12,817)</u>

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL  
PUBLIC SAFETY AUGMENTATION FUND – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 172,000	\$ 172,000	\$ 171,020	\$ (980)
Investment income	300	300	440	140
Total Revenues	<u>172,300</u>	<u>172,300</u>	<u>171,460</u>	<u>(840)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	193,400	193,400	192,852	548
Total Expenditures	<u>193,400</u>	<u>193,400</u>	<u>192,852</u>	<u>548</u>
Net Change in Fund Balance	(21,100)	(21,100)	(21,392)	(292)
Fund Balance, Beginning of Year	74,945	74,945	74,945	
Fund Balance, End of Year	<u>\$ 53,845</u>	<u>\$ 53,845</u>	<u>\$ 53,553</u>	<u>\$ (292)</u>

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL  
ASSETS SEIZURE – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 61,518	\$ 26,518
Investment income	500	500	517	17
Miscellaneous	72,000	72,000	-	(72,000)
Total Revenues	<u>107,500</u>	<u>107,500</u>	<u>62,035</u>	<u>(45,465)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	220,600	220,600	112,608	107,992
Capital outlay			32,964	(32,964)
Total Expenditures	<u>220,600</u>	<u>220,600</u>	<u>145,572</u>	<u>75,028</u>
Net Change in Fund Balance	(113,100)	(113,100)	(83,537)	29,563
Fund Balance, Beginning of Year	10,025	10,025	122,054	
Fund Balance, End of Year	<u>\$ (103,075)</u>	<u>\$ (103,075)</u>	<u>\$ 38,517</u>	<u>\$ 141,592</u>

**CITY OF LA PALMA, CALIFORNIA**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL  
PEG FUND – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 1,000	\$ 1,000	\$ 1,307	\$ 307
Miscellaneous	15,400	15,400	18,161	2,761
Total Revenues	<u>16,400</u>	<u>16,400</u>	<u>19,468</u>	<u>3,068</u>
Net Change in Fund Balance	16,400	16,400	19,468	3,068
Fund Balance, Beginning of Year	<u>161,949</u>	<u>161,949</u>	<u>161,949</u>	
Fund Balance, End of Year	<u>\$ 178,349</u>	<u>\$ 178,349</u>	<u>\$ 181,417</u>	<u>\$ 3,068</u>

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**CITY OF LA PALMA, CALIFORNIA**

**INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Internal Service Funds are used to account for the financing of goods for services provided by one department or agency of the City to other departments or agencies on a cost reimbursement basis.

The City of La Palma has five Internal Service Funds:

Risk Management – To account for certain risk management activities of the City including general liability claims, legal and other expenses.

Employee Benefits – To account for costs of the City's employee benefit plan, as well as worker's compensation insurance costs and claims.

Facilities Maintenance – To account for and manage costs associated with the City's facilities maintenance program.

Vehicle Maintenance and Replacement – To account for the accumulation of monies to be used for vehicle replacements.

Technology Maintenance and Replacement – To account for and manage costs associated with maintenance and replacement of computers owned and utilized by the City.

**CITY OF LA PALMA, CALIFORNIA**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2015**

	Risk Management	Employee Benefits	Facilities Maintenance
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 609,991	\$ 305,063	\$ 858,096
Receivables:			
Accounts			734
Interest	62	14	84
Loans		494	
Total Current Assets	<u>610,053</u>	<u>305,571</u>	<u>858,914</u>
<b>NONCURRENT ASSETS</b>			
Capital assets:			
Capital assets being depreciated, net of accumulated depreciation			
Advances to other funds	600,000	1,000,000	500,000
Total Noncurrent Assets	<u>600,000</u>	<u>1,000,000</u>	<u>500,000</u>
Total Assets	<u>1,210,053</u>	<u>1,305,571</u>	<u>1,358,914</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	685	87,584	32,832
Due to other governments	142,672	130,180	
Salaries payable		46,878	1,221
Total Liabilities	<u>143,357</u>	<u>264,642</u>	<u>34,053</u>
<b>NET POSITION</b>			
Net investment in capital assets			
Unrestricted	1,066,696	1,040,929	1,324,861
Total Fund Net Position	<u>\$ 1,066,696</u>	<u>\$ 1,040,929</u>	<u>\$ 1,324,861</u>

Vehicle Maintenance and Replacement	Technology Maintenance and Replacement	Total
\$ 885,473	\$ 638,889	\$ 3,297,512
		734
88	66	314
		494
<u>885,561</u>	<u>638,955</u>	<u>3,299,054</u>
124,017	169,556	293,573
400,000		2,500,000
<u>524,017</u>	<u>169,556</u>	<u>2,793,573</u>
<u>1,409,578</u>	<u>808,511</u>	<u>6,092,627</u>
22,024	55,287	198,412
		272,852
		48,099
<u>22,024</u>	<u>55,287</u>	<u>519,363</u>
124,017	169,556	293,573
1,263,537	583,668	5,279,691
<u>\$ 1,387,554</u>	<u>\$ 753,224</u>	<u>\$ 5,573,264</u>

**CITY OF LA PALMA, CALIFORNIA**

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Risk Management	Employee Benefits	Facilities Maintenance
<b>OPERATING REVENUES</b>			
Charges for services	\$ 494,400	\$ 2,162,779	\$ 340,500
Miscellaneous	1,988	122,211	
Total Operating Revenues	<u>496,388</u>	<u>2,284,990</u>	<u>340,500</u>
<b>OPERATING EXPENSES</b>			
Personnel services		1,519,176	188,110
Maintenance and operations		13,547	128,718
Contractual services		16,667	
Depreciation			
Settlement, claims and insurance	625,854	917,585	
Total Operating Expenses	<u>625,854</u>	<u>2,466,975</u>	<u>316,828</u>
Operating Income (Loss)	<u>(129,466)</u>	<u>(181,985)</u>	<u>23,672</u>
<b>NON OPERATING REVENUES (EXPENSE)</b>			
Investment income	1,799	898	6,455
Total Non Operating Revenues (Expense)	<u>1,799</u>	<u>898</u>	<u>6,455</u>
Income (Loss) Before Transfers	(127,667)	(181,087)	30,127
Transfers in	458,426		
Change in net position	330,759	(181,087)	30,127
Net Position at Beginning of Year	<u>735,937</u>	<u>1,222,016</u>	<u>1,294,734</u>
Net Position at End of Year	<u>\$ 1,066,696</u>	<u>\$ 1,040,929</u>	<u>\$ 1,324,861</u>

Vehicle Maintenance and Replacement	Technology Maintenance and Replacement	Total
\$ 159,000	\$ 288,200	\$ 3,444,879
38,021		162,220
<u>197,021</u>	<u>288,200</u>	<u>3,607,099</u>
		1,707,286
214	112,180	254,659
	131,467	148,134
11,170	8,408	19,578
		<u>1,543,439</u>
<u>11,384</u>	<u>252,055</u>	<u>3,673,096</u>
<u>185,637</u>	<u>36,145</u>	<u>(65,997)</u>
		20,525
<u>6,578</u>	<u>4,795</u>	<u>20,525</u>
<u>6,578</u>	<u>4,795</u>	<u>20,525</u>
192,215	40,940	(45,472)
	67,000	525,426
<u>192,215</u>	<u>107,940</u>	<u>479,954</u>
<u>1,195,339</u>	<u>645,284</u>	<u>5,093,310</u>
<u>\$ 1,387,554</u>	<u>\$ 753,224</u>	<u>\$ 5,573,264</u>

**CITY OF LA PALMA, CALIFORNIA**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Risk Management	Employee Benefits	Facilities Maintenance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from internal users	\$ 496,388	\$ 2,198,684	\$ 339,766
Cash payments to suppliers for goods and services	52,993	178,543	(175,433)
Cash payments for employee services	(625,854)	(2,436,761)	(192,252)
Net Cash Provided By (Used For) Operating Activities	(76,473)	(59,534)	(27,919)
Cash flows from non-capital financing activities:			
Cash payments from other funds	458,426		
Net Cash Provided By Non-Capital Financing Activities	458,426		
Cash flows from capital and related financing activities:			
Acquisition of capital assets			
Cash flows from investing activities:			
Interest income	1,776	906	6,442
Net Cash Provided By Investing Activities	1,776	906	6,442
Net Increase (Decrease) In Cash and Cash Equivalents	383,729	(58,628)	(21,477)
Cash and Cash Equivalents at Beginning of Year	226,262	363,691	879,573
Cash and Cash Equivalents at End of Year	\$ 609,991	\$ 305,063	\$ 858,096
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (129,466)	\$ (181,985)	\$ 23,672
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:			
Depreciation			
(Increase) decrease in accounts receivable			(734)
(Increase) decrease in loans receivable		702	
(Increase) decrease in due from other governments		(87,008)	
Increase (decrease) in accounts payable	(9,453)	46,771	(46,659)
Increase (decrease) in other accrued liabilities	(80,226)		(4,142)
Increase (decrease) in salaries payable		31,806	(56)
Increase (decrease) in due to other governments	142,672	130,180	
Total adjustments	52,993	122,451	(51,591)
Net Cash Provided By (Used For) Operating Activities	\$ (76,473)	\$ (59,534)	\$ (27,919)

Vehicle Maintenance and Replacement	Technology Maintenance and Replacement	Total
\$ 197,958	\$ 288,200	\$ 3,520,996
(15,990)	(263,727)	(223,614)
<u>181,968</u>	<u>24,473</u>	<u>42,515</u>
	67,000	525,426
	67,000	525,426
<u>(135,187)</u>	<u>(177,964)</u>	<u>(313,151)</u>
6,551	4,766	20,441
<u>6,551</u>	<u>4,766</u>	<u>20,441</u>
53,332	(81,725)	275,231
<u>832,141</u>	<u>720,614</u>	<u>3,022,281</u>
<u>\$ 885,473</u>	<u>\$ 638,889</u>	<u>\$ 3,297,512</u>
<u>\$ 185,637</u>	<u>\$ 36,145</u>	<u>\$ (65,997)</u>
11,170	8,408	19,578
		(734)
		702
937		(86,071)
(15,776)	(20,080)	(45,197)
		(84,368)
		31,750
		272,852
<u>(3,669)</u>	<u>(11,672)</u>	<u>108,512</u>
<u>\$ 181,968</u>	<u>\$ 24,473</u>	<u>\$ 42,515</u>

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**CITY OF LA PALMA, CALIFORNIA**

**AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

The City of La Palma has one Agency Fund as follows:

City Agency – To account for assets held by the City as an agent for other governments.

**CITY OF LA PALMA, CALIFORNIA**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2015**

	<u>City Agency</u>
<b>ASSETS</b>	
Cash and investments	\$ 76,679
<b>Total Assets</b>	<u><u>\$ 76,679</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,206
Deposits payable	75,473
<b>Total Liabilities</b>	<u><u>\$ 76,679</u></u>

**CITY OF LA PALMA, CALIFORNIA**

**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

City Agency	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash and investments	\$ 9,760	\$ 76,679	\$ (9,760)	\$ 76,679
<b>LIABILITIES</b>				
Account payable		\$ 1,206		\$ 1,206
Deposits payable	\$ 9,760	65,713		75,473
	\$ 9,760	\$ 66,919		\$ 76,679

**CITY OF LA PALMA, CALIFORNIA**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
SCHEDULE BY SOURCE  
JUNE 30, 2015**

**GOVERNMENTAL ACTIVITIES CAPITAL ASSETS:**

Land	\$ 1,602,281
Land rights related to streets	5,104,472
Construction in progress	392,950
Building and improvements	8,823,413
Equipment	1,734,526
Vehicles	2,011,149
Furniture and fixtures	94,438
Infrastructure	11,697,095
Total Governmental Activities Capital Assets	<u>\$ 31,460,324</u>

**Investments in governmental and internal service funds capital assets by source**

General fund and other sources	\$ 30,283,138
Federal and state grants	864,035
Internal service funds	313,151
Total Governmental Activities Capital Assets	<u>\$ 31,460,324</u>

**CITY OF LA PALMA, CALIFORNIA**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2015**

	Land	Construction in Progress	Buildings and Improvements	Equipment	Vehicles	Furniture and Fixtures	Total
General government	\$ 1,218,281		\$ 908,958	\$ 565,454		\$ 56,550	\$ 2,749,243
Public safety			1,046,389	677,993	888,592	12,338	2,625,312
Public works	79,000	\$ 101,420	269,740	140,452	1,023,714		1,614,326
Recreation	305,000	291,530	6,598,326	334,604	68,621	25,550	7,623,631
Community development				16,023	30,222		46,245
	<u>\$ 1,602,281</u>	<u>\$ 392,950</u>	<u>\$ 8,823,413</u>	<u>\$ 1,734,526</u>	<u>\$ 2,011,149</u>	<u>\$ 94,438</u>	<u>14,658,757</u>
Land rights related to streets							5,104,472
Infrastructure							11,697,095
Totals							<u>\$ 31,460,324</u>

**CITY OF LA PALMA, CALIFORNIA**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL  
AND INTERNAL SERVICE FUNDS  
SCHEDULE OF CHANGES BY FUNCTION  
YEAR ENDED JUNE 30, 2015**

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
General government	\$ 2,571,279	\$ 286,706	\$ 108,742	\$ 2,749,243
Public safety	2,564,594	235,464	174,746	2,625,312
Public works	1,585,828	28,498		1,614,326
Recreation	7,428,056	252,720	57,145	7,623,631
Community development	46,245			46,245
	<u>14,196,002</u>	<u>803,388</u>	<u>340,633</u>	<u>14,658,757</u>
Land rights related to streets	5,104,472			5,104,472
Infrastructure	11,697,095			11,697,095
Totals	<u>\$ 16,801,567</u>	<u>\$ 803,388</u>	<u>\$ 340,633</u>	<u>\$ 31,460,324</u>

**STATISTICAL SECTION**

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## **City of La Palma**

### **Overview of the Statistical Section**

The Statistical Section provides a context for understanding information in the financial statements, note disclosures and required supplementary information and how that information relates to the City of La Palma's overall financial health. The detailed schedules presented in the Statistical Section are grouped into five sections pertaining to financial trends, revenue capacity, debt capacity, demographic, and economic information and operating information.

#### **Contents**

##### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

##### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source of property taxes.

##### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

##### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's basic financial statements relates to the services the City provides and the activities it performs.

##### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

**CITY OF LA PALMA, CALIFORNIA**

**NET POSITION BY COMPONENT  
(ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS**

	Fiscal year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 18,842,381	\$ 18,766,575	\$ 18,233,580	\$ 18,502,014	\$ 12,510,162	\$ 12,316,357	\$ 12,168,122	\$ 10,292,969	\$ 15,445,604	\$ 14,689,033
Restricted	1,054,006	1,060,933	1,384,168	1,361,540	9,076,512	8,673,207	9,767,164	8,660,967	7,031,682	5,883,122
Unrestricted	8,673,833	22,723,876	25,671,189	25,566,082	26,295,429	26,819,021	27,421,074	30,268,838	13,114,541	12,340,588
Total governmental activities	<u>\$ 28,570,220</u>	<u>\$ 42,551,384</u>	<u>\$ 45,288,937</u>	<u>\$ 45,429,636</u>	<u>\$ 47,882,103</u>	<u>\$ 47,808,585</u>	<u>\$ 49,356,360</u>	<u>\$ 49,222,774</u>	<u>\$ 35,591,827</u>	<u>\$ 32,912,743</u>
Business-type activities										
Net investment in capital assets	\$ 6,748,176	\$ 7,098,480	\$ 7,161,368	\$ 6,418,395	\$ 6,626,571	\$ 7,001,855	\$ 7,256,816	\$ 7,494,712	\$ 6,731,548	\$ 6,880,596
Restricted	-	-	-	-	-	6,200,398	6,135,261	5,699,473	5,699,473	-
Unrestricted	8,837,552	9,915,143	10,258,322	11,451,349	11,637,541	5,492,988	5,897,506	6,003,835	6,010,671	10,577,872
Total business-type activities	<u>\$ 15,585,728</u>	<u>\$ 17,013,623</u>	<u>\$ 17,419,690</u>	<u>\$ 17,869,744</u>	<u>\$ 18,264,112</u>	<u>\$ 18,695,241</u>	<u>\$ 19,289,583</u>	<u>\$ 19,198,020</u>	<u>\$ 18,441,692</u>	<u>\$ 17,458,468</u>
Primary government										
Net investment in capital assets	\$ 25,590,557	\$ 25,865,055	\$ 25,394,948	\$ 24,920,409	\$ 19,136,733	\$ 19,318,212	\$ 19,424,938	\$ 17,787,681	\$ 22,177,152	\$ 21,569,629
Restricted	1,054,006	1,060,933	1,384,168	1,361,540	9,076,512	14,873,605	15,902,425	14,360,440	12,731,155	5,883,122
Unrestricted	17,511,385	32,639,019	35,929,511	37,017,431	37,932,970	32,312,009	33,318,580	36,272,673	19,125,212	22,918,460
Total primary government	<u>\$ 44,155,948</u>	<u>\$ 59,565,007</u>	<u>\$ 62,708,627</u>	<u>\$ 63,299,380</u>	<u>\$ 66,146,215</u>	<u>\$ 66,503,826</u>	<u>\$ 68,645,943</u>	<u>\$ 68,420,794</u>	<u>\$ 54,033,519</u>	<u>\$ 50,371,211</u>

Source: City of La Palma Finance Department

\* During FY 2014-15, the City of La Palma implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The City implemented this pronouncement effective July 1, 2014 which resulted in prior period adjustments to unrestricted net position of Governmental activities and Business-type activities of \$14,303,796 and \$1,089,256, respectively.

**CITY OF LA PALMA, CALIFORNIA**

**CHANGES IN NET POSITION  
(ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental activities:										
General government	\$ 1,398,116	\$ 1,838,648	\$ 1,762,118	\$ 1,693,494	\$ 1,712,427	\$ 2,335,966	\$ 6,056,130	\$ 1,738,607	\$ 1,620,494	\$ 1,489,396
Public safety	5,384,720	6,832,640	6,176,953	5,632,979	5,648,922	5,236,026	5,555,994	4,892,593	4,577,283	4,491,758
Public works	2,699,308	2,868,255	2,887,444	3,497,911	2,544,289	3,175,821	2,616,566	1,233,230	1,618,354	1,353,344
Recreation	1,560,849	1,763,797	1,597,485	1,599,499	1,706,989	1,621,696	1,427,599	1,269,199	1,192,648	1,215,837
Community development	781,853	864,927	781,198	1,035,990	1,133,634	1,034,199	1,014,666	883,184	881,167	798,299
Interest on long-term debt	-	-	-	379,412	621,207	673,477	769,850	890,561	956,237	561,699
Total governmental activities	11,824,846	14,168,267	13,205,198	13,839,285	13,367,468	14,077,185	17,440,805	10,907,374	10,846,183	9,910,333
Business-type activities:										
Water	2,564,265	2,679,623	2,678,114	2,602,286	2,483,487	2,374,000	2,038,531	1,992,491	1,869,033	1,831,349
Sewer	409,108	490,144	575,902	582,362	631,394	495,149	454,780	156,265	173,746	246,959
Total business-type activities	2,973,373	3,169,767	3,254,016	3,184,648	3,114,881	2,869,149	2,493,311	2,148,756	2,042,779	2,078,308
Total primary government expenses	14,798,219	17,338,034	16,459,214	17,023,933	16,482,349	16,946,334	19,934,116	13,056,130	12,888,962	11,988,641
Program revenues:										
Governmental activities:										
Charges for services:										
General government	233,730	164,764	169,574	144,219	143,992	165,290	177,829	175,399	162,811	156,524
Public safety	150,869	157,921	149,371	164,139	175,503	181,453	185,561	14,351	17,144	157,301
Public works	47,625	68,055	28,382	15,780	11,591	13,469	10,254	20,171	12,917	8,461
Recreation	404,737	421,306	399,277	373,732	365,006	339,012	317,082	473,574	542,008	333,045
Community development	196,172	179,503	177,107	199,880	115,540	53,111	108,927	132,257	114,422	112,704
Operating grants and contributions	1,231,719	1,080,263	881,341	915,410	987,325	1,093,013	955,223	940,219	1,123,017	931,703
Capital grants and contributions	21,352	807,627	310,616	292,116	261,883	431,415	764,518	934,216	11,273	36,043
Total governmental activities	2,286,204	2,879,439	2,115,668	2,105,276	2,060,840	2,276,763	2,519,394	2,690,187	1,983,592	1,735,781
Business-type activities:										
Charges for services:										
Water	2,573,038	2,823,219	2,844,706	2,758,256	2,639,346	2,258,779	2,370,708	2,437,494	2,424,453	2,523,032
Sewer	212,518	236,631	224,020	242,414	223,648	277,921	299,729	315,548	317,785	328,934
Operating grants and contributions									65,253	40,606
Capital grants and contributions										119,747
Total business-type activities	2,785,556	3,059,850	3,068,726	3,000,670	2,862,994	2,536,700	2,670,437	2,753,042	2,807,491	3,012,319
Total primary government program revenues	5,071,760	5,939,289	5,184,394	5,105,946	4,923,834	4,813,463	5,189,831	5,443,229	4,791,083	4,748,100

(Continued on next page)

**CITY OF LA PALMA, CALIFORNIA**

**CHANGES IN NET POSITION, (CONTINUED)  
(ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net revenues (expenses):										
Governmental activities	(9,538,642)	\$ (11,288,828)	\$ (11,089,530)	\$ (11,734,009)	\$ (11,306,628)	\$ (11,800,422)	\$ (14,921,411)	\$ (8,217,187)	\$ (8,862,591)	\$ (8,174,552)
Business-type activities	(187,817)	(109,917)	(185,290)	(183,978)	(251,887)	(332,449)	177,126	604,286	764,712	934,011
Total primary government net revenues (expenses)	<u>(9,726,459)</u>	<u>(11,398,745)</u>	<u>(11,274,820)</u>	<u>(11,917,987)</u>	<u>(11,558,515)</u>	<u>(12,132,871)</u>	<u>(14,744,285)</u>	<u>(7,612,901)</u>	<u>(8,097,879)</u>	<u>(7,240,541)</u>
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	3,387,323	\$ 3,393,278	\$ 4,344,501	\$ 4,772,136	\$ 5,574,354	\$ 4,843,089	\$ 5,840,076	\$ 5,150,143	\$ 4,501,460	\$ 3,129,238
Sales Taxes	2,560,938	2,243,348	4,335,175	5,610,509	3,221,887	2,603,346	11,493,446	1,493,439	1,138,789	1,266,727
Utility users tax	1,126,749	1,101,159	994,444	893,605	943,146	995,062	1,332,177	1,383,922	826,331	4,398,978
Franchise taxes	407,115	381,839	358,672	357,553	353,974	347,316	345,924	370,960	318,679	306,192
Transient occupancy taxes	346,077	313,662	257,975	227,539	216,387	198,230	291,340	279,406	244,976	212,624
Intergovernmental - unrestricted	-	61,851	218,858	8,066	74,446	47,601	71,636	94,819	104,895	1,291,482
Investment income	205,581	114,371	156,106	202,128	360,544	484,854	1,757,446	1,808,537	1,137,651	520,348
Other general revenues	676,257	73,892	-	259,924	350,384	365,373	353,089	598,549	80,621	88,577
Gain (Loss) on asset disposal	(35,491)	-	-	-	-	-	-	-	-	-
Transfers	283,100	283,100	283,100	283,100	283,100	369,700	363,000	361,900	334,900	324,700
Contributions from Successor Agency	-	669,405	-	-	-	-	-	-	-	-
Extraordinary Gain (Loss)	-	(84,630)	-	(3,333,018)	-	-	-	-	-	-
Total governmental activities	<u>8,957,649</u>	<u>8,551,275</u>	<u>10,948,831</u>	<u>9,281,542</u>	<u>11,378,222</u>	<u>10,254,571</u>	<u>21,848,134</u>	<u>11,541,675</u>	<u>8,688,302</u>	<u>11,538,866</u>
Business-type activities:										
Investment income	67,828	3,717	15,876	59,209	74,123	103,091	515,042	569,759	397,845	281,972
Other general revenues	1,916	11,185	2,460	13,501	29,735	4,716	10,653	325	2,882	
Transfers	(283,100)	(283,100)	(283,100)	(283,100)	(283,100)	(369,700)	(363,000)	(361,900)	(334,900)	(324,700)
Extraordinary Gain (Loss)	-	(27,952)	-	-	-	-	-	-	-	-
Total business-type activities	<u>(213,356)</u>	<u>(296,150)</u>	<u>(264,764)</u>	<u>(210,390)</u>	<u>(179,242)</u>	<u>(261,893)</u>	<u>152,042</u>	<u>218,512</u>	<u>63,270</u>	<u>(39,846)</u>
Total primary government general revenues and other changes in net assets	<u>8,744,293</u>	<u>8,255,125</u>	<u>10,684,067</u>	<u>9,071,152</u>	<u>11,198,980</u>	<u>9,992,678</u>	<u>22,000,176</u>	<u>11,760,187</u>	<u>8,751,572</u>	<u>11,499,020</u>
Changes in net position:										
Governmental activities	(580,993)	(2,737,553)	(140,699)	(2,452,467)	71,594	(1,545,851)	6,926,723	3,324,488	(174,289)	3,364,314
Business-type activities	(401,173)	(406,067)	(450,054)	(394,368)	(431,129)	(594,342)	329,168	822,798	827,982	894,165
Total primary government changes in net position	<u>\$ (982,166)</u>	<u>\$ (3,143,620)</u>	<u>\$ (590,753)</u>	<u>\$ (2,846,835)</u>	<u>\$ (359,535)</u>	<u>\$ (2,140,193)</u>	<u>\$ 7,255,891</u>	<u>\$ 4,147,286</u>	<u>\$ 653,693</u>	<u>\$ 4,258,479</u>

**CITY OF LA PALMA, CALIFORNIA**

**FUND BALANCES OF GOVERNMENTAL FUNDS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund:										
Reserved*						\$ 2,140,684	\$ 2,354,906	\$ 2,527,584	\$ 2,674,702	\$ 2,792,661
Unreserved						18,032,721	18,839,746	21,735,394	11,342,958	10,757,902
Nonspendable	\$ 1,068,724	\$ 1,040,149	\$ 902,303	\$ 915,758	\$ 1,021,205					
Committed	10,246,885	10,246,885	-	-	-					
Assigned	250,000	250,000	3,663,975	4,541,983	5,180,159					
Unassigned	673,140	1,559,490	11,180,948	9,289,212	9,466,500					
Total General Fund	<u>\$ 12,238,749</u>	<u>\$ 13,096,524</u>	<u>\$ 15,747,226</u>	<u>\$ 14,746,953</u>	<u>\$ 15,667,864</u>	<u>\$ 20,173,405</u>	<u>\$ 21,194,652</u>	<u>\$ 24,262,978</u>	<u>\$ 14,017,660</u>	<u>\$ 13,550,563</u>
All other governmental funds:										
Reserved*						\$ 5,884,851	\$ 5,404,370	\$ 5,419,100	\$ 5,527,395	\$ 5,343,068
Unreserved, reported in:										
Special Revenue Funds						454,353	561,069	410,434	(880,054)	(1,229,687)
Debt Service Funds						3,503,408	4,301,725	3,331,433	1,925,285	944,512
Non-major Governmental Funds						2,097,396	2,603,625	1,983,038	4,315,537	5,097,871
Nonspendable	\$ -	\$ -	\$ -	\$ 396,668	\$ 2,637,750					
Restricted	1,054,006	1,011,301	1,384,168	4,493,579	5,541,769					
Assigned	5,882,836	5,971,495	5,644,379	5,628,728	6,605,377					
Unassigned	-	-	(15,993)	(3,975,674)	(1,239,989)					
Total all other governmental funds	<u>\$ 6,936,842</u>	<u>\$ 6,982,796</u>	<u>\$ 7,012,554</u>	<u>\$ 6,543,301</u>	<u>\$ 13,544,907</u>	<u>\$ 11,940,008</u>	<u>\$ 12,870,789</u>	<u>\$ 11,144,005</u>	<u>\$ 10,888,163</u>	<u>\$ 10,155,764</u>

Source: City of La Palma Finance Department

\* During FY 2010-11, the City of La Palma implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the fund balance classifications. The City has chosen not to restate years prior to FY 2010-11.

**CITY OF LA PALMA, CALIFORNIA**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

**LAST NINE FISCAL YEARS**

	Fiscal Year								
	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>									
Taxes	\$ 7,828,202	\$ 7,179,494	\$ 10,290,767	\$ 11,861,342	\$ 10,895,511	\$ 10,124,640	\$ 13,594,506	\$ 19,667,879	\$ 8,907,178
Intergovernmental	1,199,085	1,843,879	1,349,887	1,134,452	1,580,840	1,092,490	1,640,127	1,787,334	1,043,558
Licenses and permits	357,911	267,110	281,145	268,847	210,224	194,070	253,277	257,525	229,219
Fines and forfeitures	144,972	148,175	136,883	153,549	161,914	166,408	171,489	188,171	219,283
Investment income	214,417	262,973	157,902	210,835	392,338	581,268	1,284,478	1,939,278	1,999,787
Charges for services	560,932	584,574	514,062	504,934	448,325	391,932	392,681	376,921	435,390
Rental income	162,640	161,796	173,977	160,182	161,683	156,533	155,806	155,099	156,464
Miscellaneous	539,168	129,551	139,175	165,955	227,322	274,015	183,373	250,132	401,797
Total revenues	<u>11,007,327</u>	<u>10,577,552</u>	<u>13,043,798</u>	<u>14,460,096</u>	<u>14,078,157</u>	<u>12,981,356</u>	<u>17,675,737</u>	<u>24,622,339</u>	<u>13,392,676</u>
<b>Expenditures:</b>									
Current:									
General government	\$ 1,427,946	1,424,960	1,473,464	1,463,766	1,666,071	2,076,802	1,991,818	1,716,544	1,647,011
Public safety	5,217,677	5,332,707	5,391,994	5,254,814	5,452,896	4,940,895	5,209,488	4,833,254	4,681,761
Public works	892,162	910,424	1,004,085	1,210,218	1,112,072	1,037,332	960,353	907,617	885,951
Recreation	1,327,032	1,248,759	1,301,345	1,368,146	1,561,531	1,494,922	1,297,689	1,197,766	1,168,805
Community development	781,261	759,840	737,788	968,804	1,119,008	1,019,794	973,365	869,581	882,759
Capital outlay	2,022,652	2,063,792	1,948,696	2,081,222	1,565,420	2,213,700	3,484,660	3,300,662	1,723,247
Debt service:									
Principal					465,000	435,000	415,000	400,000	380,000
Interest				348,099	623,285	675,391	771,640	893,839	956,237
Intergovernmental:									
Pass-through payments					379,837	409,038	475,596	364,916	229,309
Payment to State education fund					205,926	1,000,210			
Total expenditures	<u>11,668,730</u>	<u>11,740,482</u>	<u>11,857,372</u>	<u>12,695,069</u>	<u>14,151,046</u>	<u>15,303,084</u>	<u>15,579,609</u>	<u>14,484,179</u>	<u>12,555,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(661,403)</u>	<u>(1,162,930)</u>	<u>1,186,426</u>	<u>1,765,027</u>	<u>(72,889)</u>	<u>(2,321,728)</u>	<u>2,096,128</u>	<u>10,138,160</u>	<u>837,596</u>
<b>Other financing sources (uses):</b>									
Transfers in	\$ 1,628,287	1,519,169	1,983,100	3,783,100	2,527,126	1,495,870	2,624,290	402,400	394,800
Transfers out	(1,870,613)	(2,952,069)	(1,700,000)	(3,500,000)	(5,354,879)	(1,126,170)	(6,061,960)	(39,400)	(32,900)
Total other financing sources (uses)	<u>(242,326)</u>	<u>(1,432,900)</u>	<u>283,100</u>	<u>283,100</u>	<u>(2,827,753)</u>	<u>369,700</u>	<u>(3,437,670)</u>	<u>363,000</u>	<u>361,900</u>
<b>Extraordinary items:</b>									
Dissolution of Redevelopment Agency	-	(84,630)		(9,970,644)					
Net change in fund balances	<u>\$ (903,729)</u>	<u>\$ (2,680,460)</u>	<u>\$ 1,469,526</u>	<u>\$ (7,922,517)</u>	<u>\$ (2,900,642)</u>	<u>\$ (1,952,028)</u>	<u>\$ (1,341,542)</u>	<u>\$ 10,501,160</u>	<u>\$ 1,199,496</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	2.8%	9.0%	10.5%	11.4%	13.6%	13.7%

Source: City of La Palma Finance Department

**CITY OF LA PALMA, CALIFORNIA**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Secured Value</u>	<u>Public Utility</u>	<u>Unsecured Value</u>	<u>Assessed Value</u>	<u>Direct Rate</u>
2006	\$ 1,326,706,875	\$ 80,315	\$ 70,476,731	\$ 1,397,263,921	0.26354%
2007	1,437,911,603	66,032	71,465,702	1,509,443,337	0.26430%
2008	1,567,502,830		68,704,370	1,636,207,200	0.28561%
2009	1,589,872,220		84,098,046	1,673,970,266	0.28575%
2010	1,610,058,636		84,996,407	1,695,055,043	0.29886%
2011	1,614,113,578		84,627,363	1,698,740,941	0.28777%
2012	1,625,801,819		72,364,591	1,698,166,410	0.27953%
2013	1,657,735,378		60,358,441	1,718,093,819	0.27931%
2014	1,689,678,380		54,605,820	1,744,284,200	0.11949%
2015	1,763,629,394		64,749,862	1,828,379,256	0.11949%

*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: County of Orange Assessor's Office, Combined Tax Roll, as reported in the "HDL 2014-15 CAFR Statistical Reports," Assessed Value of Taxable Property tables.

**CITY OF LA PALMA, CALIFORNIA**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUATION)**

**LAST TEN FISCAL YEARS**

Fiscal Year	Basic Levy (Note 1)	Overlapping Rates (Note 2)							Total Direct and Overlapping Tax Rates	Total Direct Rate (Note 3)
		Anaheim Union High School District Bonds	Buena Park School District Bonds	Centralia School District Bonds	Cypress School District Bonds	Fullerton High School District Bonds	Metropolitan Water District Bonds	North O.C. Joint Community College District Bonds		
2006	1.00000	0.02444	0.01751	0.01895	0.00000	0.01503	0.00520	0.01666	1.09779	0.2635%
2007	1.00000	0.02355	0.01495	0.01763	0.00000	0.01540	0.00470	0.01444	1.09067	0.2643%
2008	1.00000	0.02516	0.01743	0.02090	0.00000	0.01346	0.00450	0.01502	1.09647	0.2856%
2009	1.00000	0.02363	0.01444	0.02190	0.00000	0.01431	0.00430	0.01493	1.09351	0.2858%
2010	1.00000	0.02617	0.01768	0.02531	0.02195	0.01529	0.00430	0.01662	1.12732	0.2989%
2011	1.00000	0.02745	0.01851	0.02569	0.02615	0.01588	0.00370	0.01758	1.13496	0.2878%
2012	1.00000	0.02678	0.01851	0.02682	0.01505	0.01300	0.00370	0.01742	1.12128	0.2795%
2013	1.00000	0.02858	0.01809	0.02593	0.02549	0.01579	0.00350	0.01902	1.13640	0.2793%
2014	1.00000	0.02620	0.01662	0.02558	0.02676	0.01435	0.00350	0.01704	1.13005	0.1195%
2015	1.00000	0.02412	0.04793	0.02486	0.02303	0.01338	0.00350	0.01704	1.15386	0.1195%

**Notes**

Note 1: In 1978, the voters of the State of California passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds. The City receives only a portion of this basic 1% levy.

Note 2: Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

Note 3: Because basic and overlapping rates vary by tax rate area, individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied by the City.

Source: County of Orange Assessor's Office, Tax Rate Table, as reported in "HDL 2014-15 CAFR Statistical Reports," Direct

**CITY OF LA PALMA, CALIFORNIA**

**PRINCIPAL PROPERTY TAX PAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

Property Owner's Name	2015			2006		
	Assessed Value	Rank	Percentage of Net AV	Assessed Value	Rank	Percentage of Net AV
Realty Associates Fund IX LP	\$ 86,602,244	1	4.74%			
Kaiser Foundation Health Plan Inc.	29,804,041	2	1.63%			
La Palma Paper	24,542,454	3	1.34%			
MPT of La Palma LP	21,075,081	4	1.15%	\$ 18,169,629	3	1.30%
ADP Inc.	19,963,986	5	1.09%	20,294,136	2	1.45%
Bre LQ Properties LLC	19,733,747	6	1.08%			
Dexus Socal LLC	18,836,822	7	1.03%			
Huntington-Humboldt	14,347,759	8	0.78%	12,617,940	5	0.90%
Casa La Veta Associates	13,552,465	9	0.74%	11,918,531	6	0.85%
AL United States La Palma Sr. Housing	12,980,986	10	0.71%			
Arden Realty Finance IV				88,912,872	1	6.36%
Fresca Industrial Park LP				13,457,405	4	0.96%
Moore Wallace North America				10,895,448	7	0.78%
183rd La Palma Investors				9,543,224	8	0.68%
La Quinta Development Partners				8,939,993	9	0.64%
La Palma Professional Center LP				7,803,000	10	0.56%
	<u>\$ 261,439,585</u>		<u>14.29%</u>	<u>\$ 202,552,178</u>		<u>14.48%</u>

*The amounts shown above include assessed value data for both the City of La Palma and the La Palma Community Development Commission.*

Source: County of Orange Assessor's Office, Combined Tax Rolls and the SBE Non-Unitary Tax Roll, as reported in the "HDL 2013-14 CAFR Statistical Reports," Top Ten Property Tax Payers table.

**CITY OF LA PALMA, CALIFORNIA**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Amount Collected<sup>(1)</sup></u>
2006	\$ 3,682,349	\$ 3,682,349
2007	3,989,459	3,989,459
2008	4,673,171	4,673,171
2009	4,783,370	4,783,370
2010	5,065,842	5,065,842
2011	4,888,467	4,888,467
2012	4,746,885	4,746,885
2013	4,798,808	4,798,808
2014	2,084,245	2,084,245
2015	2,184,730	2,184,730

*The amounts presented include City property taxes and the Community Development Commissions tax increment. This schedule also includes amounts collected and passed-through to other agencies.*

<sup>(1)</sup>Through an agreement with the County of Orange, effective for fiscal years beginning in 1994, the City of La Palma will receive 100% of its property tax levy in the current fiscal year. This is known as being on the "Teeter Plan" for property tax apportionments.

**CITY OF LA PALMA, CALIFORNIA**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

Fiscal Year	Tax Allocation Bonds		Debt Per Capita	Bonded Debt Per Capita	Bonded Debt as a Percentage of Personal Income
	Governmental Activities	Population			
2006	\$ 9,030,000	16,034	\$ 563.18	\$ 563.18	0.3329%
2007	8,670,000	16,028	540.93	540.93	0.3726%
2008	8,290,000	16,028	517.22	517.22	0.4077%
2009	7,890,000	16,091	490.34	490.34	0.4327%
2010	7,475,000	16,187	461.79	461.79	0.4423%
2011	7,040,000	16,304	431.80	431.80	0.4464%
2012	-	15,700	-	-	-
2013	-	15,818	-	-	-
2014	-	15,896	-	-	-
2015	-	15,890	-	-	-

*\*The total principal amount represents the outstanding debt on the 1993 and 2001 Tax Allocation Bonds - As discussed in Note 16 of the CAFR, during FY 11/12 this debt became an obligation of the Successor Agency rather than debt of the City of La Palma.*

Sources: State of California Finance Department (population information) and City of La Palma Finance Department (long-term amortization table, outstanding debt)

**CITY OF LA PALMA, CALIFORNIA**

**ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT**

**AS OF JUNE 30, 2015**

2014-15 Assessed Valuation: \$1,828,379,256

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable</u>	<u>City's Share of Debt 06/30/15</u>
Metropolitan Water District	0.079	\$ 87,232
North Orange County Joint Community College District	1.696	3,172,181
Anaheim Union High School District	3.336	5,047,667
Fullerton Joint Union High School District	2.063	998,243
Buena Park School District	10.128	2,912,153
Centralia School District	17.425	2,293,068
Cypress School District	8.196	3,263,641
City of La Palma	100.000	
Total Direct and Overlapping Tax and Assessment Debt		<u>\$ 17,774,185</u>
 <u>Overlapping General Fund Debt:</u>		
Orange County General Fund Obligations	0.388	\$ 383,755
Orange County Pension Obligation Bonds	0.388	1,423,396
Orange County Board of Education Certificates of Participation	0.388	58,937
Municipal Water District of Orange County Water Facilities Corporation	0.465	24,924
North Orange County ROP Certificates of Participation	1.743	182,144
Anaheim Union High School District Certificates of Participation	3.336	1,183,549
Fullerton Joint Union High School District Certificates of Participation	2.063	459,121
Cypress School District Certificates of Participation	8.196	603,635
Total Gross Overlapping General Fund Debt		<u>4,319,461</u>
Less: MWDOC Water Facilities Corporation (100% self-supported)		24,924
Total Net Overlapping General Fund Debt		<u>\$ 4,294,537</u>
 Overlapping Tax Increment Debt (Successor Agencies):	 .0230-100%	 <u>4,450,000</u>

Total Direct Debt

Gross Combined Total Direct and Overlapping Debt	\$ 26,543,646
Net Combined Total Direct and Overlapping Debt	\$ 26,518,722

<sup>(1)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.97%
Gross Combined Total Debt	1.45%
Net Combined Total Debt	1.45%

Ratios to Redevelopment Incremental Valuation (\$316,142,300):

Total Overlapping Tax Increment Debt	1.34%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

**CITY OF LA PALMA, CALIFORNIA**

**LEGAL DEBT MARGIN INFORMATION**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Debt Limit Percentage</u>	<u>Debt Limit</u>	<u>Total Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>
2006	\$ 1,397,263,921	3.750%	\$ 52,397,397		\$ 52,397,397
2007	1,509,443,337	3.750%	56,604,125		56,604,125
2008	1,636,207,200	3.750%	61,357,770		61,357,770
2009	1,673,970,266	3.750%	62,773,885		62,773,885
2010	1,695,055,043	3.750%	63,564,564		63,564,564
2011	1,698,468,994	3.750%	63,702,785		63,702,785
2012	1,698,166,410	3.750%	63,681,240		63,681,240
2013	1,718,093,819	3.750%	64,428,518		64,428,518
2014	1,744,284,200	3.750%	65,410,658		65,410,658
2015	1,828,379,256	3.750%	68,564,222		68,564,222

Sources: County of Orange Assessor's Office and City of La Palma Finance Department

**CITY OF LA PALMA, CALIFORNIA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN CALENDAR YEARS**

<u>Calendar Year</u>	<u>Population</u>	<u>City of La Palma Personal Income (In Thousands)</u>	<u>City of La Palma Per Capita Personal Income</u>	<u>City of La Palma Unemployment Rate</u>
2005	16,034	\$ 481,962	\$ 30,059	4.2%
2006	16,028	517,776	32,304	3.8%
2007	16,028	541,698	33,797	4.3%
2008	16,091	549,378	34,142	5.9%
2009	16,187	535,163	33,061	10.0%
2010	16,304	512,337	31,424	10.6%
2011	15,700	518,681	33,037	9.6%
2012	15,818	535,597	33,860	6.3%
2013	15,896	557,902	35,097	5.6%
2014	15,890	547,585	34,461	4.1%

Sources: "HDL 2014-15 CAFR Statistical Reports," Demographic and Economic Statistics

**CITY OF LA PALMA, CALIFORNIA**

**OPERATING INDICATORS BY FUNCTION**

**LAST TEN FISCAL YEARS**

Function:	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety:										
Calls for service	13,613	14,244	19,242	17,443	22,059	33,923	28,130	27,837	26,085	15,564
Crime reports	968	1,622	2,012	1,751	2,121	2,295	1,931	2,062	2,142	2,023
Arrests	266	432	979	871	1,201	1,383	1,031	1,056	1,034	859
Traffic citations	898	1,036	2,385	1,747	2,520	2,876	2,800	2,826	3,873	1,840
Parking citations	1,979	1,418	1,155	1,637	1,649	1,997	2,569	2,672	2,010	1,901
Other citations	24	75	90	151	136	119	113	130	117	75
Public works:*										
Traffic signals maintained	21	21	21	19	18	18	18	18	18	18
Infrastructure improvement projects administered	1	11	10	23	23	21	20	10	3	4
Private development plans reviewed	-	4	3	1	1	1	2	5	5	5
Graffiti removal (square feet)	781	875	1,064	2,400	2,300	2,600	4,100	4,000	4,800	2,000
Street sweeping (miles)	59	62	62	62	62	62	62	62	62	62
Trees pruned *	361	621	350	2,000	2,000	2,572	2,000	1,000	2,000	2,200
Recreation:										
Recreation classes	463	653	970	470	527	528	540	632	564	878
Recreation classes enrollment	3,720	4,456	5,162	4,824	4,106	3,794	3,748	3,455	3,790	4,094
Indoor facility rentals	71	232	230	288	242	222	100	23	431	382
Indoor facility rental hours	380	649	800	900	869	956	386	83	1,289	1,187
Outdoor facility rentals	498	488	374	257	278	239	223	236	390	381
Outdoor facility rental hours	1,242	1,164	1,022	758	812	787	683	760	964	1,154
Community Development:**										
Planning entitlements processed**	111	89	36	55	24	16	16	20	12	10
Building permits issued	491	369	476	417	434	409	404	394	400	324
Estimated valuation of building permits (millions)	\$7.670	\$6.759	\$6.602	\$8.589	\$3.870	\$3.289	\$3.768	\$3.685	\$3.876	\$2.255
Code enforcement cases	249	298	365	494	204	589	503	323	501	450
Water:										
Average monthly consumption per household (cubic feet)	1,800	1,835	1,800	1,800	1,616	1,756	2,000	2,000	2,000	2,000
Customer accounts	4,331	4,369	4,380	4,334	4,334	4,374	4,374	4,323	4,323	4,323
Water samples taken	2,448	444	2,216	2,716	2,400	2,216	1,600	1,600	1,300	508

\*Prior fiscal years over-reported the number the trees trimmed. It appears prior years reported was the total number of trees in the City's inventory, not the smaller subset of trees actually trimmed. The amount shown of 350 trees trimmed in FY 2012-13 is in line with the updated methodology showing actual trees trimmed.

\*\*A more accurate method of determining the number of "Planning Entitlements" was utilized beginning with FY 2011-12. This method, based on Chapter 26, Article IV, Division 1, Table IV-1 of the La Palma Municipal Code provides for a broader, more accurate accounting that can be backed by code citation. This accounting includes items such as Precise Plans, Tract Maps, Conditional Use Permits, Community Events Permits, Temporary Use Permits, and Administrative Approval of residential remodels, some items which were not necessarily included in prior years.

**CITY OF LA PALMA, CALIFORNIA**

**CAPITAL ASSETS STATISTICS BY FUNCTION**

**LAST EIGHT FISCAL YEARS**

Function:	Fiscal Year							
	2015	2014	2013	2012	2011	2010	2009	2008
Public safety:								
Police stations	1	1	1	1	1	1	1	1
Public works:								
Streets (miles)	31	31	31	31	31	31	31	31
Streetlights	972	972	972	972	972	972	972	972
Traffic signals	18.5	18.5	18.5	18.5	18	18	18	18
Recreation:								
Community centers	1	1	1	1	1	1	1	1
Parks	2	2	2	2	2	2	2	2
Water:								
Water mains (miles)	38	38	38	38	38	38	38	38
Maximum daily capacity (millions of gallons)	2.65	2.65	2.65	2.65	2.65	2.65	2.65	2.65
Fire hydrants	343	343	343	343	343	343	343	343
Water wells	2	2	2	2	2	2	2	2
Storage capacity (millions of gallons)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Reservoirs	2	2	2	2	2	2	2	2
Wastewater:								
Sanitary sewers (miles)	28	28	28	28	28	28	28	28
Storm drains (miles)	5	5	5	5	5	5	5	5
Manholes	631	631	631	631	631	631	631	631

Source: City of La Palma, respective Departments

**CITY OF LA PALMA, CALIFORNIA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND SEVEN YEARS AGO**

Employer	2015		2008	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
ADP, Inc.	600	8.21%	1000	10.00%
C & D Zodiac Aerospace	415	5.68%	499	4.99%
La Palma Intercommunity Community Hospital	360	4.93%	360	3.60%
Performance Machine	178	2.44%	342	3.42%
Anaheim Union High School District (Kennedy HS)	157	2.15%	157	1.57%
Kaiser Foundation Healthplan	155	2.12%		0.00%
Unisource Worlwide	152	2.08%	300	3.00%
Arcadia Chair Company	150	2.05%		0.00%
Keebler Snack Co. / Kelloggs	110	1.51%	90	0.90%
Tesoro	90	1.23%		0.00%
CJ Foods	50	0.68%		0.00%
Atlantic Richfield Inc.	0	0.00%	450	4.50%
ADP Dealer Services	0	0.00%	175	1.75%
ADP Computerized Vehicle Registration	0	0.00%	152	1.52%

\* 2006 and 2007 information not available.

"Total employment" as used above represents the total employment of all employees located within City limits.

Source: City of La Palma Community Development Department, "Economic Development" section of City website

**CITY OF LA PALMA, CALIFORNIA**

**FULL-TIME BUDGETED POSITIONS BY FUNCTION**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Recreation</u>	<u>Community Development</u>	<u>Water</u>	<u>Total</u>
2006	9.0	33.0	7.0	9.0	4.0	4.0	66.0
2007	9.0	32.0	7.0	9.0	4.0	4.0	65.0
2008	9.0	32.0	7.0	9.0	4.0	4.0	65.0
2009	9.0	32.0	7.0	9.0	4.0	4.0	65.0
2010	9.0	32.0	7.0	9.0	4.0	4.0	65.0
2011	9.0	32.0	7.0	9.0	4.0	4.0	65.0
2012	9.0	32.0	7.0	8.0	4.0	4.0	64.0
2013	9.0	32.0	7.0	8.0	4.0	4.0	64.0
2014*	7.65	30.0	5.5	4.6	3.0	6.3	57.0
2015	6.5	29.0	5.0	4.3	3.0	7.2	55.0

Source: City of La Palma Finance Department

\* Two reorganizations took place in FY14: Recreation & Public Works were consolidated to create Community Services and Finance was absorbed into the Administrative Services Department.

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**OTHER INFORMATION**

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**CITY OF LA PALMA, CALIFORNIA**

**LONG-TERM DEBT AMORTIZATION TABLE  
SUCCESSOR AGENCY  
JUNE 30, 2015**

Debt service requirements on the 1993 tax allocation bonds at June 30, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 285,000	\$ 83,265
2017	295,000	65,880
2018	325,000	47,885
2019	230,000	28,060
2020	30,000	14,030
2021-2022	200,000	24,400
Total	<u>\$ 1,365,000</u>	<u>\$ 263,520</u>

Debt service requirements on the 2001 refunding tax allocation bonds at June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 325,000	\$ 169,675
2017	350,000	151,800
2018	360,000	132,550
2019	495,000	112,750
2020	740,000	85,525
2021	815,000	44,825
Total	<u>\$ 3,085,000</u>	<u>\$ 697,125</u>