

City of La Habra, California
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017



Prepared by the Department of Finance and Administrative Services

Melvin Shannon, Director of Finance

**CITY OF LA HABRA, CALIFORNIA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017**

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City of La Habra

"A Caring Community"

ADMINISTRATION BUILDING

110 E. La Habra Boulevard
Post Office Box 337
La Habra, CA 90633-0785
Office: (562) 383-4010
Fax: (562) 383-4474

January 29, 2018

Honorable Mayor, Mayor Pro Tem and Members of the City Council:

The Comprehensive Annual Financial Report of the City of La Habra (City) for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City Administration. To the best of our knowledge and belief, the enclosed data are accurate in all materials respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Disclosures necessary to enable a reader to gain an understanding of the City's financial activities have been included. A more comprehensive analysis of the City's financial health can be found in the Management Discussion and Analysis section of this report.

FISCAL YEAR 2016-2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City is required to undergo an annual audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget's Uniform Guidance, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*. Information related to this single audit, including a schedule of expenditures of federal awards and the independent auditor's reports on internal controls and compliance with applicable laws and regulations, is included in a separately issued compliance report.

This report includes all funds of the City (the primary government), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The component units are controlled by common governing boards and, therefore, are represented as blended component units for financial reporting purposes. Blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the La Habra Civic Improvement Authority (CIA), the La Habra Housing Authority (Housing Authority), and the Utility Authority of the City of La Habra (Utility Authority) are reported as funds of the primary government. In addition, the City has assumed fiduciary responsibility for the Successor Agency to the Redevelopment Agency of the City of La Habra (Successor Agency) and is reported as a Private-Purpose Trust.

The City provides a full range of traditional municipal services. Police services are provided through a department operating under the direct control of the City while fire services are contracted with the Los Angeles County Fire Department. The City's Utility Authority operates a water distribution system and a wastewater collection system. The collection of solid waste (refuse) is provided as a City service through a franchise arrangement with a private firm. The City provides for construction, repair, and maintenance of streets, parks and storm water collection systems and is responsible for the administration and enforcement of housing and building codes, as well as economic and community development activities. The City also provides various community and social services, recreational activities and cultural events.

CITY LOCATION AND CHARACTER

The City of La Habra (population 62,084) is located in the northwest corner of the County of Orange, California, approximately 20 miles east of downtown Los Angeles. La Habra is known as a unique suburban residential community where residents have access to, and participate in, the greater Orange County and Los Angeles County economies. La Habra is largely built out (90 percent developed by the mid-1970's), with the majority of residential housing constructed in the 1950's.

Net Taxable Assessed Value (NTAV) for FY 16/17 was \$5,934,157,097, which is 4.9% more than FY 15/16. Based on data from the 2012-2016 U.S. Census Bureau-American Community Survey 5-year Estimates, the median household income is higher than the national average, but is lower than the average of Orange County cities.

The City is largely residential with a stable population that has remained virtually unchanged over the past decade. Unemployment had been relatively modest through 2007; however, it began increasing in 2008 due to the global recession that started that year. Since the end of the recession the City's unemployment has gradually declined and was 4.1% in September 2017 (latest available data).

FINANCIAL INFORMATION

The management of the City of La Habra is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and, 2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal, state and local financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2017 are provided under a separate report.

Budget Controls

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget appropriation adopted by resolution of the City Council for the General Fund, the Debt Service Fund, the Capital Project Funds, the Enterprise Funds, the Internal Service Funds, and the Special Revenue Funds. Some Special Revenue Funds are not included in the annual appropriation resolution, but are adopted separately on an as needed basis. Formal budgetary integration is employed as a management control during the year. Supplemental appropriations are approved by the City Council in the form of budget amendment motions, contract/project approval actions, or as part of special grant authorizing motions. The level of budgetary control is at the individual fund level, but management control is exercised at budgetary line-item level.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to restrict or assign that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental and proprietary funds. Encumbrances outstanding at year-end are reported as restricted or assigned fund balance in the fund balance section of the balance sheet since they do not constitute expenditures or liabilities.

The budget has been prepared in accordance with generally accepted accounting principles (GAAP). The budget statement (combined statement of revenues, expenditures and changes in fund balance), budgeted and actual, is presented on the same basis of accounting used in preparing the adopted budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility of sound financial management.

Long-Term Financial Planning

The City typically prepares two levels of financial planning for review by its governing body. The first level involves the preparation, presentation and adoption of the City's annual operating budget. This planning effort takes into account current projects, programs and staffing levels to determine the proper level of resource allocation necessary to effectively operate the City government on a year to year basis. This short-term financial plan is flexible and can be modified by Council action to adjust for changing revenue estimates, new programs or projects, or other unanticipated operating and capital costs. The annual adopted budget is reviewed by the City Council at mid-year to determine estimated year end revenue and expenditure performance of the General Fund and other major operating funds. Amendments are approved as necessary to reflect changing financial conditions or funding availability with the goal of maintaining a balanced budget at year end.

In addition, the City prepares and updates long-term capital plans, revenue estimates, and economic projections to account for high-cost long-term capital needs, major infrastructure improvement programs, and changing trends in the City's revenue and economic base. As part of the annual budget, the City updates its five year revenue projection model to take into account current and projected economic trends, major changes in revenues and expenses, and future capital needs. These models are based on other long-term financial plans developed by City departments, including a seven year capital project plan, a multi-year pavement management plan, a ten year water system master plan and a twelve year sewer system master plan. Each capital plan is updated every one to five years depending on the need for such updates or to account for major changes. The information provided by the City's long-range capital plans is also used to determine the potential net benefit of securing long-term capital financing via debt versus the use of current cash or other resources on a pay-as-you-go basis.

General Fund Balance

The total General Fund balance as of June 30, 2017 was \$8.8 million. Of this amount, \$6.3 million is considered non-spendable and unavailable for appropriation and \$0.3 million is considered restricted. The remaining balance of \$2.2 million represented unassigned or available portion of fund balance.

During the fiscal year 2015-16, the General Fund entered into a lease agreement with the Civic Improvement Authority to borrow \$5.6 million from Bank of the West for assistance in funding the construction of the new civic center. This resulted in a temporary reduction of available fund balance. In August 2016, the City sold the old city hall and paid off the lease obligation with proceeds from the sale. This increased available fund balance by \$5.6 million, which would reflect in the fiscal year 2017-18 financial statements.

Long-Term Liabilities

As of fiscal year ended June 30, 2017, the City had several outstanding debt issues and other long-term liabilities totaling \$150.5 million (excluding deferred gain/loss on refunding), including:

- \$0.7 million in refunding special tax bonds reported in the Successor Agency Private-Purpose Trust Fund
- \$16.3 million in certificates of participation
- \$4.9 million in tax allocation bonds reported in the Successor Agency Private-Purpose Trust Fund
- \$38.0 million in revenue bonds
- \$5.6 million in property lease financing
- \$0.7 million in various notes, leases and loans
- \$5.1 million for claims payable
- \$5.1 million for compensated absences
- \$2.8 million for pollution remediation liability
- \$2.2 million for postemployment benefit obligation
- \$69.1 million for net pension liability

The City, as a separate legal entity, has no general obligation debt outstanding.

Capital Assets

The capital assets of the City's governmental activities are those used in the performance of general government functions and exclude the capital assets of the Enterprise Funds and the Successor Agency Private-Purpose Trust Fund, but does include the capital assets of the Internal Service Funds. As of June 30, 2017, the capital assets (net of depreciation) of the City's governmental activities amounted to \$107.0 million. This amount represents the original cost of the assets or estimated historical cost if actual historical cost is not available. Depreciation of capital assets is recognized in the City's financial statements using the straight-line method based on the estimated useful life of an asset.

Enterprise Operations

The enterprise operations of the City comprise several distinct business-type activities as shown in the following table:

Enterprise Operation	Net Position Beginning	Operating Revenue	Operating Expenses	Non-Operating Revenues (Expenses)	Net Transfers In and (Out)	Net Position Ending
Water	\$ 23,063,920	\$ 13,035,748	\$ 10,879,594	\$ (1,690,639)	\$ (5,118)	\$ 23,524,317
Sewer	7,138,013	1,803,519	2,107,071	6,589	(82,636)	6,758,414
Housing Authority	5,694,695	1,281,830	703,206	(787,886)	-	5,485,433
Refuse	2,967,352	3,956,418	3,366,444	5,209	(149,746)	3,412,789
Children's Museum	408,344	482,417	567,338	637	92,500	416,560
Mobile Home Lease	3,480,559	2,840,554	2,407,220	1,095	-	3,914,988
	\$ 42,752,883	\$ 23,400,486	\$ 20,030,873	\$ (2,464,995)	\$ (145,000)	\$ 43,512,501

INDEPENDENT AUDIT

An annual audit of the accounting and financial records of the City of La Habra is conducted by independent certified public accountants to meet the requirements of the Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. The auditors are required to audit all opinion units of the City in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The firm, White Nelson Diehl Evans, LLP, has been hired by the City under the terms of a multi-year agreement to perform auditing services.

The auditor's report on the basic financial statements and supplementary information is included in the financial section of this report. The auditor's reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards can be found in a separately issued compliance report.

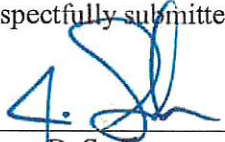
ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the effort and professionalism demonstrated by the Department of Finance and Administrative Services staff. Preparation of annual financial statements requires a major effort from the entire accounting staff and we would like to express our appreciation to everyone who assisted and contributed to the effort, particularly Director of Finance Melvin Shannon, Finance Manager Jack Ponvanit, Accounting Supervisor Mary Ann Sy, Senior Accountant John Balderas, Accountant II Zukie Chiu, and Accountant Sue Suriati.


We wish to acknowledge the professional manner in which White Nelson Diehl Evans, LLP conducted the audit and express our appreciation for their assistance and expertise.

We also thank the City Council for their commitment and support in planning and conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,

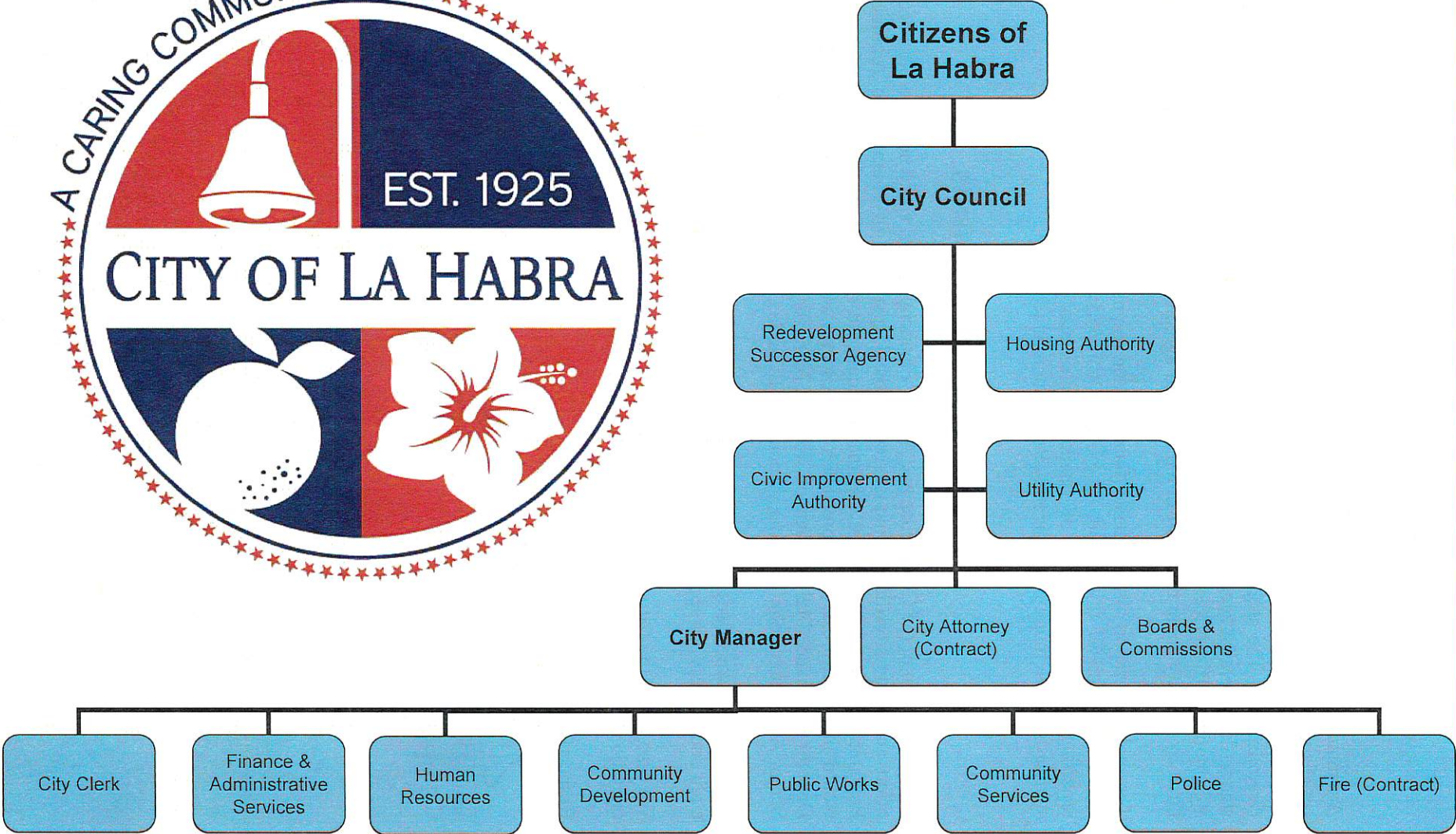


James D. Sadro
City Manager



Melvin L. Shannon
Director of Finance

City of La Habra Organization and Services



CITY OF LA HABRA, CALIFORNIA

CITY OFFICIALS

AS OF JUNE 30, 2017

MEMBERS OF THE CITY COUNCIL

Mayor Rose M. Espinoza
Mayor Pro Tem Tim Shaw
Councilmember Thomas Beamish
Councilmember James Gomez
Councilmember Michael Blazey

CITY MANAGER

James D. Sadro

CITY ATTORNEY

Richard Jones

CITY CLERK

Tamara D. Mason, MMC

DIRECTOR OF FINANCE

Melvin Shannon

DIRECTOR OF HUMAN RESOURCES

Robin Juengel

DIRECTOR OF COMMUNITY DEVELOPMENT

Andrew Ho

DIRECTOR OF COMMUNITY SERVICES

Salvatore Failla

DIRECTOR OF PUBLIC WORKS

Elias Saykali

CHIEF OF POLICE

Jerry Price

ASSISTANT CHIEF OF FIRE

Nick Duvally
(Los Angeles County Fire)



Government Finance Officers Association

**Certificate of
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Presented to

**City of La Habra
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

To the Honorable City Council
of the City of La Habra
La Habra, 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 Habra, California (the City), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the postemployment healthcare plan schedule of funding progress, the schedule of changes in net pension liability and the schedule of contribution related to the agent multiple-employer defined benefit miscellaneous pension plan, the schedule of the City's proportionate share of the net pension liability and the schedule of contribution related to the cost sharing defined benefit safety pension plans, and budgetary comparison schedules for General Fund and Child Development Special Revenue Fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison schedules, and Measure T Transaction and Use Tax: Use of Funds schedule (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters (Continued)

Other Information (Continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no 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 January 29, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
January 29, 2018

Management's Discussion and Analysis

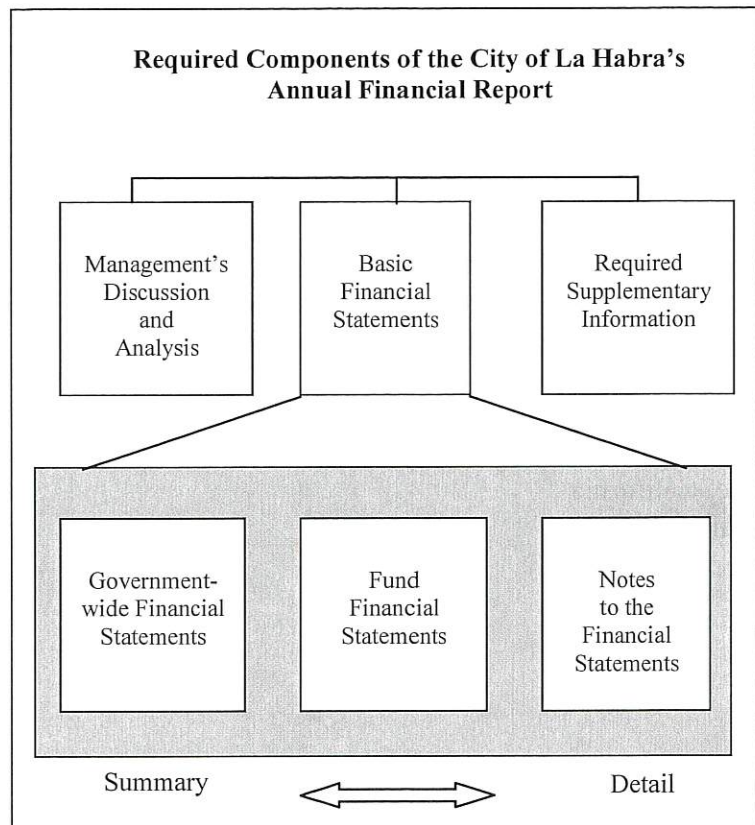
In an effort to provide insight and perspective to the City of La Habra's (City) annual financial statements, staff has prepared this management discussion of the financial activities of the City for the fiscal year ended June 30, 2017. The intent of this discussion is to assist the reader to better understand the fiscal condition of the City. Readers are encouraged to consider the information presented here in conjunction with the summary information found in the transmittal letter and the detailed information found in the body of the financial statements.

Overview of the Financial Statements

The City's annual financial report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental and enterprise funds, internal service funds, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the City government, reporting the City's operations in *more detail* than the *Government-wide Statements*.
 - The *Governmental Fund Statements* detail how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary Fund Statements* offer *short-* and *long-term* financial information about the activities the City operates *like businesses*, such as the water and sewer services.
 - *Fiduciary Fund Statements* provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, the City has included a section with combining statements that provide detail about non-major governmental funds, enterprise funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.



The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

The Government-wide Financial Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City's *net position* and how it has changed. Net Position – the difference between the City's assets plus deferred outflows resources and liabilities plus deferred inflows of resources – are one way to measure the City's financial health, or *position*. Over time, increases or decreases in the City's net position is an indicator of whether the City's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall fiscal condition of the City.

The Government-wide Financial Statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services, such as police, fire, public works, community services, community development, and general administration, are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the costs of certain services it provides. The City's water, sewer, refuse, and housing authority are the primary business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law or bond covenants, while the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three types of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs. Reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement. The basic financial statements also include budgetary comparison schedules as required supplementary information for the General Fund and Child Development Special Revenue Fund to demonstrate compliance with the annual budget as adopted and amended.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information.

- There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
 - o The City uses *enterprise funds* to report activities that provide business-type services, generally to external customers – such as water, sewer and refuse services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.
 - o The City uses *internal service funds* to report activities that provide service and support for the City’s other programs and activities – such as fleet maintenance and replacement, liability management, and information technology. The majority of this activity is included in the governmental activities in the government-wide financial statements.
- *Fiduciary funds* – These funds are used to account for situations where the City’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The City excludes these activities from the Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Net Position

As noted earlier, comparing net position over time may serve as a useful indicator of the City’s financial position. The following is an analysis that summarizes the City’s net position (Table 1) at fiscal year ended June 30, 2017, and 2016, respectively:

TABLE 1
STATEMENTS OF NET POSITION

	Governmental Activities		Business-Type Activities		Total		Change (\$)	Change (%)
	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 15/16	FY 15/16		
Assets								
Current and other assets	\$ 51,421,696	\$ 55,827,883	\$ 46,014,492	\$ 45,902,852	\$ 97,436,188	\$ 101,730,735	\$ (4,294,547)	-4.2%
Capital assets	106,954,957	96,386,510	55,906,360	55,991,842	162,861,317	152,378,352	10,482,965	6.9%
Total Assets	158,376,653	152,214,393	101,920,852	101,894,694	260,297,505	254,109,087	6,188,418	2.4%
Deferred outflow of resources	14,908,131	4,457,850	2,676,708	2,659,937	17,584,839	7,117,787	10,467,052	147.1%
Liabilities								
Current liabilities	9,827,584	9,110,791	3,697,978	3,450,706	13,525,562	12,561,497	964,065	7.7%
Noncurrent liabilities	82,194,794	69,499,428	57,332,050	57,471,156	139,526,844	126,970,584	12,556,260	9.9%
Total Liabilities	92,022,378	78,610,219	61,030,028	60,921,862	153,052,406	139,532,081	13,520,325	9.7%
Deferred inflow of resources	3,185,295	4,532,037	55,031	879,886	3,240,326	5,411,923	(2,171,597)	-40.1%
Net position								
Net investment in capital assets	98,908,209	87,775,876	23,274,193	22,464,681	122,182,402	110,240,557	11,941,845	10.8%
Restricted	15,849,805	13,465,394	1,066,402	841,051	16,916,207	14,306,445	2,609,762	18.2%
Unrestricted	(36,680,903)	(27,711,283)	19,171,906	19,447,151	(17,508,997)	(8,264,132)	(9,244,865)	111.9%
Total Net Position	\$ 78,077,111	\$ 73,529,987	\$ 43,512,501	\$ 42,752,883	\$ 121,589,612	\$ 116,282,870	\$ 5,306,742	4.6%

Net Investment in Capital Assets

The City's *combined* net position for the fiscal year ended June 30, 2017, as shown above, was \$121.6 million. \$122.2 million represents capital assets such as land, buildings, machinery, equipment, and infrastructure, less depreciation and any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets cannot be easily liquidated and are ***not*** available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other revenue sources since the capital assets themselves are not usually able to pay for the associated debt.

Restricted Net Position

\$16.9 million of the City's net position represents resources that are subject to external restrictions regarding how they may be used. The restricted net position for public works, low-moderate income housing, and general plan updates increased by \$1.7 million, \$0.5 million, and \$0.2 million, respective, primarily due to various fees collected from developers.

Unrestricted Net Position

The unrestricted net position of the City's business-type activities total \$19.2 million, and these resources cannot be used to help fund general governmental activities. The City can only use these resources to finance the continuing operations of its enterprise funds such as the Refuse fund, Mobile Home Lease fund and the Children's Museum, or its agencies and authorities, such as the Utility Authority and Housing Authority. That leaves a negative \$36.7 million balance of unrestricted net position in the governmental activities. The negative unrestricted net position is primarily the result of the City's unfunded net pension liability.

Changes in Net Position

The condensed summary of activities (Table 2) shows that the City's total net position increased by \$5.3 million during the year with Governmental Activities accounting for \$4.5 million of that increase.

Approximately 57.5% of the City's governmental revenue is generated through taxes collected (property, sales and use, transaction and use, and franchise), and approximately 98.4% of the City's business-type revenue is generated through charges for services.

**TABLE 2
CHANGES IN NET POSITION**

	Government Activities		Business-Type Activities		Total	
	<u>FY 16/17</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 15/16</u>
Revenues						
Program Revenues						
Charges for Services	\$ 7,127,026	\$ 9,597,865	\$ 23,400,486	\$ 22,767,562	\$ 30,527,512	\$ 32,365,427
Operating Grants and Contributions	9,957,548	8,308,818	-	-	9,957,548	8,308,818
Capital Grants and Contributions	2,644,726	4,423,311	-	-	2,644,726	4,423,311
General Revenues						
Property Taxes	16,117,190	14,996,789	-	-	16,117,190	14,996,789
Sales and Use Taxes	9,837,648	10,997,991	-	-	9,837,648	10,997,991
Transaction and Use Taxes	5,075,039	5,040,708	-	-	5,075,039	5,040,708
Franchise Tax	1,650,001	1,653,002	-	-	1,650,001	1,653,002
Grants and Contributions not Restricted to Specific Programs	85,223	84,051	-	-	85,223	84,051
Income from Property and Investments	2,641,722	3,042,625	48,994	220,785	2,690,716	3,263,410
Other General Revenues	1,655,926	1,340,148	341,028	306,565	1,996,954	1,646,713
Total Revenues	56,792,049	59,485,308	23,790,508	23,294,912	80,582,557	82,780,220
Expenses						
General Government	3,671,388	5,390,669	-	-	3,671,388	5,390,669
Public Safety	30,195,115	27,410,251	-	-	30,195,115	27,410,251
Public Works	11,002,512	9,246,671	-	-	11,002,512	9,246,671
Community Services	10,591,475	10,290,567	-	-	10,591,475	10,290,567
Community Development	3,064,649	1,968,081	-	-	3,064,649	1,968,081
Interest on Long-Term	281,018	330,196	-	-	281,018	330,196
Water	-	-	12,946,131	12,120,429	12,946,131	12,120,429
Sewer	-	-	2,107,071	1,934,381	2,107,071	1,934,381
Refuse	-	-	3,366,444	3,402,733	3,366,444	3,402,733
Housing Authority	-	-	1,491,686	1,737,015	1,491,686	1,737,015
Children's Museum	-	-	567,338	534,402	567,338	534,402
Mobile Home Lease	-	-	2,407,220	2,385,696	2,407,220	2,385,696
Total Expenses	58,806,157	54,636,435	22,885,890	22,114,656	81,692,047	76,751,091
Excess before Transfers	(2,014,108)	4,848,873	904,618	1,180,256	(1,109,490)	6,029,129
Special item	6,416,232	-	-	-	6,416,232	-
Transfers	145,000	126,177	(145,000)	(126,177)	-	-
Increase in Net Position	4,547,124	4,975,050	759,618	1,054,079	5,306,742	6,029,129
Net Position - Beginning of Year, as Previously Reported	73,529,987	62,377,180	42,752,883	41,018,505	116,282,870	103,395,685
Prior period adjustment	-	6,177,757	-	680,299	-	6,858,056
Net Position - Beginning of Year, as Restated	73,529,987	68,554,937	42,752,883	41,698,804	116,282,870	110,253,741
Net Position - End of year	\$ 78,077,111	\$ 73,529,987	\$ 43,512,501	\$42,752,883	\$121,589,612	\$116,282,870

Governmental Activities

The increase in net position for *governmental* activities was \$4.5 million, caused as a result of total revenues for *governmental* activities of \$56.8 million being offset by \$58.8 million in total costs for *governmental* activities, with transfers in from the business-type activities of \$0.1 million and one-time special item from traffic impact deposit of \$6.4 million.

The combination of property tax, sales tax, transaction tax, and franchise tax stays flat compared to FY 15/16. While property tax did increase over last fiscal year by \$1.1 million, sales and use taxes instead decreased by \$1.2 million from prior year due to the ending of Proposition 57, the California Economic Recovery Bond Act or Triple Flip.

Non-tax program revenues are generated through several sources to cover the cost of the City's programs. Charges for Services decreased by \$2.3 million due to the spike of fees collected from developers in a major residential housing project along the Beach Boulevard in prior year. Meanwhile, Operating Grants and Contributions reflect an increase of \$1.6 million compared to FY 15/16 due mainly to the increase in activities in HUD Community Development Block Grant and HOME programs, resulting in more operating grant reimbursements in FY 16/17. Capital Grants and Contributions decreased by \$1.8 million due mainly to the wind-down of construction projects, which were being reimbursed through Measure M2 grant fund.

The City of La Habra is a full-service city providing residents, businesses and visitors with the following functional services:

General Government is comprised of four departments (City Manager, City Clerk, Finance, and Human Resources) providing general governance, executive management, legal services, public information, human resources, records management, information technology, accounting, budget, treasury, utility customer service and purchasing.

Public Safety is comprised of Police Service and Fire Service (contracted with Los Angeles County Fire Department) providing general law enforcement, public safety dispatch, fire suppression, fire prevention, paramedic services and emergency preparedness.

Public Works is comprised of the following seven divisions; engineering, fleet, NPDES, parks, refuse, streets, and water/sewer. The department is responsible for water production, and distribution, sewer system maintenance, maintenance of streets, sidewalks, traffic systems, gutters and storm drains, maintenance of parks, civic building landscaping, administration of refuse and recycling programs, and maintenance and replacement of the City's fleet. The department is also responsible for the design and construction of new and replacement of public facilities and infrastructures.

Community Development is comprised of four divisions (Planning, Building, Community Preservation, and Housing Economic Development) providing planning, zoning and building services, redevelopment services, economic development and housing services.

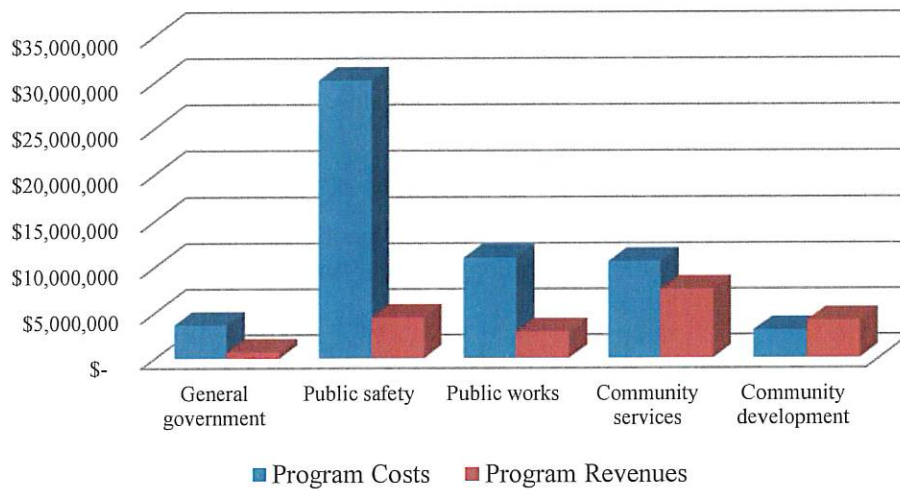
Community Services is comprised of six divisions (Building Maintenance, Child Development, Children's Museum, Employment and Training, Recreation, and Senior and Social Services) providing various programs, services, and special events for the citizens

Table 3 presents the cost of each program as well as each program's net cost (total cost less revenue generated by the program activities). The net cost shows the extent to which the City's general revenues support each of the programs.

**TABLE 3
GOVERNMENTAL ACTIVITIES
NET PROGRAM COST**

	Total Program Costs		Total Program Revenues		Net Cost of Services	
	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16
General government	\$ 3,671,388	\$ 5,390,669	\$ 705,374	\$ 691,315	\$ 2,966,014	\$ 4,699,354
Public safety	30,195,115	27,410,251	4,464,214	4,579,783	25,730,901	22,830,468
Public works	11,002,512	9,246,671	2,914,976	7,296,891	8,087,536	1,949,780
Community services	10,591,475	10,290,567	7,522,944	7,524,873	3,068,531	2,765,694
Community development	3,064,649	1,968,081	4,121,792	2,237,132	(1,057,143)	(269,051)
Totals	\$ 58,525,139	\$ 54,306,239	\$ 19,729,300	\$ 22,329,994	\$ 38,795,839	\$ 31,976,245

**Program Costs VS Program Revenues
Governmental Activities FY 16/17**



Business-Type Activities

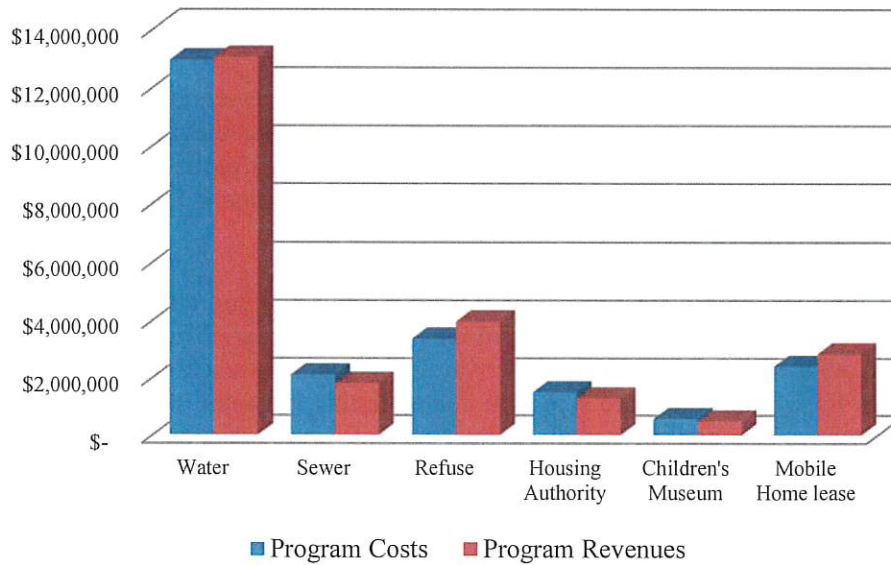
As of June 30, 2017, the revenues of the business-type activities increased by 2.1%, or \$0.5 million (\$23.8 million in 2017 compared to \$23.3 million in 2016) and expenses increased by 3.5%, or \$0.8 million. The factors driving these results include:

- The total water consumption increased by 2.6% due to the impact of the mandatory water conservation regulation in April 2015 which requiring an immediate 25% reduction in overall potable urban water uses statewide had been lifted. Meanwhile, utility rates increased by 4.2% effective on January 1, 2016. As a result, total revenues in water and sewer enterprise funds increased by approximately \$1.0 million comparing to prior year.
- The revenue from in housing authority enterprise fund decreased by \$0.3 million due to the expiration of La Habra Inn lease while revenues of the other funds in business-type activities either remained unchanged or slightly increased comparing to prior year.
- The increase in expenses can primarily attributed to increase in water purchase due to increase in consumption and increase in maintenance activities in water enterprise fund.

**TABLE 4
BUSINESS-TYPE ACTIVITIES
PROGRAM COSTS VS PROGRAM REVENUES**

	Total Program Costs		Total Program Revenues		Net Cost of Services	
	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16
Water	\$ 12,946,131	\$ 12,120,429	\$ 13,035,748	\$ 12,209,656	\$ (89,617)	\$ (89,227)
Sewer	2,107,071	1,934,381	1,803,519	1,628,705	303,552	305,676
Refuse	3,366,444	3,402,733	3,956,418	3,995,558	(589,974)	(592,825)
Housing Authority	1,491,686	1,737,015	1,281,830	1,645,982	209,856	91,033
Children's Museum	567,338	534,402	482,417	507,169	84,921	27,233
Mobile Home lease	2,407,220	2,385,696	2,840,554	2,780,492	(433,334)	(394,796)
Totals	\$ 22,885,890	\$ 22,114,656	\$ 23,400,486	\$ 22,767,562	\$ (514,596)	\$ (652,906)

**Program Costs VS Program Revenues
Business-Type Activities FY 16/17**



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, Assigned and Unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$24.4 million, a decrease of \$3.8 million compared to the prior fiscal year. The following fund balances are considered to be non-spendable, restricted, or assigned for the City:

- \$6.3 million non-spendable for long-term advances
- \$41,715 non-spendable for prepaid items
- \$0.3 million restricted for public works
- \$14.9 million restricted for special revenue funds
- \$0.7 million assigned for capital projects fund.

The General Fund is the chief operating fund of the City and, as of June 30, 2017, had a total fund balance of \$8.8 million. The General Fund ended the year with \$2.3 million in operating surplus primarily due to increase in home values, savings from vacancy positions, various one-time reimbursements, along with other factors. At Council direction, the General Fund transferred \$1.7 million of the operating surplus to the Capital Projects Fund to fund various capital projects including the construction of the new civic center and \$0.6 million of the surplus to special revenue funds, debt service fund, and internal service funds. General fund also transferred proceeds from sale of Woman's Club of \$0.7 million to fund the new civic center as approved by the Council. As a result, the General Fund transferred a total of \$3.0 million to the other funds. With \$2.3 million in operating surplus and \$0.7 million proceeds from sale of capital assets, the fund balance stayed the same as prior year at \$8.8 million.

The fund balance of Child Development Special Revenue Fund stayed essentially the same comparing to prior fiscal year. This special revenue fund is generally operated on a reimbursement basis; therefore, revenues and expenditures in any given year are substantially the same unless there are reimbursement costs that are not collected within availability period. The fund balance in Child Development Fund is restricted for community services function by the funding agency.

For fiscal year ended June 30, 2017, the City's general Capital Projects Fund balance decreased by \$5.9 million, due primarily to capital spending on the construction of the new civic center. The City maintains an active capital improvement program with numerous projects underway or in planning each fiscal year. Fluctuations in the reported fund balances for capital funds are typically due to timing between the approval and appropriation of funds for various capital projects and the actual application and receipt of those funds to design and build the projects.

Proprietary Funds

The City's Proprietary Funds presented in the Fund Financial Statements section provide the same type of information in the Government-wide Financial Statements, but include individual fund information. Generally, the operation of an enterprise fund is designed to generate enough revenue through fees and charges to fund current operation as well as future infrastructures such as water mains, sewer connection lines, etc. Therefore, annual surplus from normal operation is expected.

At fiscal year-end, net position for the Water Enterprise Fund grew by \$0.5 million due to operating income in the fund. As anticipated, the fund continued to generate sufficient revenues from water sales to cover operating expenses, meet debt service requirements as well as building a reserve for future projects.

The current utility rates of the Sewer Enterprise Fund are designed to operate at a break even or slight loss because of substantial reserve built up in the fund for a past few years. As expected, the fund had a slight operating loss of \$0.3 million in FY 16/17. The fund also transferred \$0.1 million to water and children's museum enterprise funds for annual operating contributions. Therefore, the net position of the Sewer Enterprise Fund decreased by approximately \$0.4 million.

The Housing Authority's net position slightly decreased over the course of FY 16/17 due to loss of net operating income from the discontinuation of La Habra Inn operation.

The Refuse Enterprise Fund's net position slightly increased over the course of FY 16/17 due to the operating income.

General Fund Budgetary Highlights

At fiscal year-end, essentially all revenue sources had met or outperformed budget. Property taxes ended the year 5.3% above budget estimates, due to an increase in home values all across California especially in Orange County. Sales tax and transaction tax ended the year 1.7% above budget estimates. The decrease in sales and transaction tax revenues is the result of the ending of Proposition 57, the California Economic Recovery Bond Act or Triple Flip.

Overall revenues exceeded budget estimates by \$1.7 million, primarily due to property tax charges for services, fines and forfeitures, and licenses and permits revenues, which outperformed the expectation. When combined with expenditures, which ended the year slightly above budget, the City realized a surplus of \$2.0 million. This year-end surplus was transferred, at Council direction, to capital projects fund and internal service funds.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the City had recorded an investment of over \$257.6 million (before accumulated depreciation) in a broad range of capital assets categories, including park facilities, land, buildings, roads, bridges, water and sewer lines, police and fire vehicles, and other maintenance equipment.

**TABLE 5
CAPITAL ASSETS AT YEAR-END**

	Governmental Activities		Business-Type Activities		Private-Purpose Trust		Total	
	<u>FY 16/17</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 15/16</u>
Land	\$12,467,013	\$8,755,305	\$12,800,000	\$12,800,000	\$ -	\$1,058,500	\$25,267,013	\$22,613,805
Land improvements	7,355,359	6,968,404	-	-	-	-	7,355,359	6,968,404
Buildings and improvements other than buildings	36,938,950	20,197,392	4,251,106	4,251,106	-	391,500	41,190,056	24,839,998
Machinery and equipment	1,133,296	1,133,296	253,490	253,490	-	-	1,386,786	1,386,786
Autos and trucks	9,129,438	8,538,591	1,881,319	1,746,228	-	-	11,010,757	10,284,819
Infrastructure	5,271,642	4,747,863	230,465	230,464	-	-	5,502,107	4,978,327
Construction in progress	96,578,253	94,066,219	67,881,230	66,507,583	-	-	164,459,483	160,573,802
(Less accumulated depreciation)	1,460,188	11,326,164	-	-	-	-	1,460,188	11,326,164
	(63,379,182)	(59,346,724)	(31,391,250)	(29,797,029)	-	(48,940)	(94,770,432)	(89,192,693)
TOTALS	\$106,954,957	\$96,386,510	\$55,906,360	\$55,991,842	\$0	\$1,401,060	\$162,861,317	\$153,779,412

Governmental Capital Assets, before accumulated depreciation, increased by \$14.6 million over the prior year. The increase was attributed, primarily to the construction of new civic center. The construction cost of this project during the FY 16/17 was \$9.2 million. The remaining of the increase in Governmental Capital Assets was attributed to various citywide street and road rehabilitation projects as well as purchases of vehicles and equipment. Business-Type Capital Assets, before accumulated depreciation, increased by \$1.5 million over the

prior year. The increase was mainly attributed to infrastructure improvements in the water and sewer enterprise funds.

More detail about the City’s capital assets is presented in Notes 2(e) to the financial statements (Page 65 to 67).

Long-Term Debt

At year-end, the City had \$64.5 million in bonds, certificates of participation, loans, and leases payable, a decrease of \$3.1 million from last year, as shown in the table below. The Private-Purpose Trust activities are being reported to account for the custodial responsibilities assigned to the Successor Agency pursuant to the State of California’s redevelopment agency dissolution law.

**TABLE 6
OUTSTANDING LONG-TERM DEBT AT YEAR-END**

	Governmental Activities		Business-Type Activities		Private-Purpose Trust Activities		Total	
	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16	FY 16/17	FY 15/16
Certificates of Participation	\$ 2,413,311	\$ 2,751,051	\$ 13,901,272	\$ 14,206,831	\$ -	\$ -	\$ 16,314,583	\$ 16,957,882
Tax Allocation Bonds	-	-	-	-	4,867,025	5,580,000	4,867,025	5,580,000
Special Tax Bonds	-	-	-	-	735,000	955,000	735,000	955,000
Notes Payable	171,594	230,552	-	-	-	-	171,594	230,552
Notes Payable (Howard's Appliance)	-	-	-	-	-	592,965	-	592,965
Loan Payable	152,704	249,642	-	-	-	-	152,704	249,642
Contract and Leases Payable	356,068	478,757	-	-	-	-	356,068	478,757
Revenue Bonds	-	-	37,966,047	38,781,502	-	-	37,966,047	38,781,502
2015 Lease Financing	5,600,000	5,600,000	-	-	-	-	5,600,000	5,600,000
Unamortized loss on refunding	(150,676)	(179,839)	(1,543,054)	(1,609,392)	-	-	(1,693,730)	(1,789,231)
TOTALS	\$8,543,001	\$9,130,163	\$50,324,265	\$51,378,941	\$5,602,025	\$7,127,965	\$64,469,291	\$67,637,069

More detail about the City’s long-term liabilities is presented in Notes 2(g) to the financial statements (Page 68).

Economic Factors and Future Budgets and Rates

- The City’s FY 16/17 net taxable property values totaled \$5.9 billion, approximately 23.8% more than five years ago, and it is 4.9% higher than FY 15/16.
- In FY 17/18 CalPERS begins to collect employer contributions toward the unfunded liability as lump sum amounts instead of the prior method of blending the unfunded liability in a contribution rate for miscellaneous plan. The rate for miscellaneous plan will be 7.989% plus \$1.2 million unfunded liability payment. The rate for public safety will be 21.418% plus \$2.4 million unfunded liability payment.
- Projected FY 18/19 CalPERS rate for the miscellaneous plan will be 8.164% plus \$1.6 million unfunded liability payment, and the rate for public safety will be 22.346% plus \$2.9 million unfunded liability payment.
- The Consumer Price Index (CPI) for the Los Angeles/Riverside/Orange County Metropolitan Statistical Area for all urban consumers increased by 2.2 percent from June 2016 to June 2017.

These, among other factors, were considered in preparing the City of La Habra's General Fund budget for FY 17/18, which resulted in budgeted expenditures growing by 3.4% to \$42.3 million compared to the FY 16/17 amended budget of \$40.9 million.

The City's projected business-type activities reflect the following:

- The anticipation that modest enterprise fund rate increases will continue to be necessary over the course of the fiscal year to maintain sufficient cash flow for operations, capital reserves, and debt service coverage requirements.
- With increases in utility rates and stable water consumption, water sales revenue is expected to increase from the previous year.
- The continuing opportunity for the Utility Authority to purchase privately held Cal Domestic water shares and water rights in the San Gabriel Basin as they become available.

It is clear that the local and state economies continue to demonstrate signs of strength, albeit at a less robust pace than in previous years. Improving property values and numerous public and private development projects throughout the City will help drive growth in the community, which should result in modest revenue growth for the City's General Fund for the next several years. Some of this growth; however, may continue to be impacted by the ongoing shift to online retail shopping. In addition, it is very likely that an economic slowdown will occur at some point over the next several years, which will affect property and sale tax revenues. To help prepare for this, the city's staff continuously monitors spending, looks for efficiencies to control costs over the long term, and proactively seeks economic development opportunities to help broaden the City's revenue base.

Contacting the City's Department of Finance and Administrative Services

This financial report is designed to provide our elected officials, residents, business owners, taxpayers, ratepayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it is entrusted with. If you have any questions about this report or need additional information, please contact the Department of Finance and Administrative Services, 110 E. La Habra Boulevard, La Habra, CA 90631. The Finance Department can also be reached at (562) 383-4050, or visit us online at "www.lahabracalifornia.gov".

CITY OF LA HABRA, CALIFORNIA
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and investments	\$ 34,975,966	\$ 17,460,687	\$ 52,436,653
Cash and investments with fiscal agents	496,253	5,760,317	6,256,570
Accounts receivable, net	4,110,561	2,830,224	6,940,785
Interest receivable	95,838	34,935	130,773
Prepaid items	81,520	794,550	876,070
Due from other governments	3,414,045	55,531	3,469,576
Due from Successor Agency	39,653	-	39,653
Internal balances	(1,799,890)	1,799,890	-
Inventories	30,409	125,524	155,933
Total current assets	<u>41,444,355</u>	<u>28,861,658</u>	<u>70,306,013</u>
Noncurrent assets:			
Prepaid insurance cost	-	239,017	239,017
Land held for resale	-	855,000	855,000
Loans receivable	624,436	-	624,436
Loans to Successor Agency	9,352,905	-	9,352,905
Investment in water rights stock	-	16,058,817	16,058,817
Capital assets:			
Not being depreciated	13,927,201	12,800,000	26,727,201
Being depreciated, net	93,027,756	43,106,360	136,134,116
Total noncurrent assets	<u>116,932,298</u>	<u>73,059,194</u>	<u>189,991,492</u>
Total assets	<u>158,376,653</u>	<u>101,920,852</u>	<u>260,297,505</u>
Deferred outflows of resources:			
Unamortized loss on refunding of debt	150,676	1,543,054	1,693,730
Deferred amount from pension plans	14,757,455	1,133,654	15,891,109
Total deferred outflows of resources	<u>14,908,131</u>	<u>2,676,708</u>	<u>17,584,839</u>
Liabilities:			
Current liabilities:			
Accounts payable	3,104,747	1,522,790	4,627,537
Accrued liabilities	2,222,641	109,815	2,332,456
Deposits payable	-	257,600	257,600
Interest payable	40,856	581,372	622,228
Unearned revenue	613,256	36,117	649,373
Claims payable, current	1,146,546	-	1,146,546
Compensated absences, current	1,473,119	70,284	1,543,403
Long-term obligations, due within one year	1,226,419	1,120,000	2,346,419
Total current liabilities	<u>9,827,584</u>	<u>3,697,978</u>	<u>13,525,562</u>
Noncurrent liabilities:			
Postemployment benefit obligation	2,255,000	-	2,255,000
Claims payable	3,514,784	-	3,514,784
Compensated absences	3,437,278	163,999	3,601,277
Long-term obligations, due in more than one year	7,467,258	50,747,319	58,214,577
Pollution remediation liability	-	2,800,000	2,800,000
Net pension liability	65,520,474	3,620,732	69,141,206
Total noncurrent liabilities	<u>82,194,794</u>	<u>57,332,050</u>	<u>139,526,844</u>
Total liabilities	<u>92,022,378</u>	<u>61,030,028</u>	<u>153,052,406</u>
Deferred inflows of resources:			
Deferred amount from pension plans	3,185,295	55,031	3,240,326
Total deferred inflows of resources	<u>3,185,295</u>	<u>55,031</u>	<u>3,240,326</u>
Net position:			
Net investment in capital assets	98,908,209	23,274,193	122,182,402
Restricted for:			
Low-moderate income housing	662,680	485,000	1,147,680
Public safety	1,077,979	-	1,077,979
Public works	12,968,201	-	12,968,201
Community development	874,210	-	874,210
Community services	94,559	-	94,559
General plan update	172,176	-	172,176
Pollution remediation	-	581,402	581,402
Unrestricted	(36,680,903)	19,171,906	(17,508,997)
Total net position	<u>\$ 78,077,111</u>	<u>\$ 43,512,501</u>	<u>\$ 121,589,612</u>

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA, CALIFORNIA
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,671,388	\$ 549,270	\$ 156,104	\$ -
Public safety	30,195,115	3,351,086	1,113,128	-
Public works	11,002,512	203,981	76,650	2,634,345
Community services	10,591,475	1,035,577	6,487,367	-
Community development	3,064,649	1,987,112	2,124,299	10,381
Interest on long-term debt	281,018	-	-	-
Total governmental activities	<u>58,806,157</u>	<u>7,127,026</u>	<u>9,957,548</u>	<u>2,644,726</u>
Business-type activities:				
Water	12,946,131	13,035,748	-	-
Sewer	2,107,071	1,803,519	-	-
Refuse	3,366,444	3,956,418	-	-
Housing Authority	1,491,686	1,281,830	-	-
Children's Museum	567,338	482,417	-	-
Mobile Home Lease	2,407,220	2,840,554	-	-
Total business-type activities	<u>22,885,890</u>	<u>23,400,486</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 81,692,047</u>	<u>\$ 30,527,512</u>	<u>\$ 9,957,548</u>	<u>\$ 2,644,726</u>

General revenues:

Taxes:

- Property tax
- Sales and use taxes
- Transaction and use taxes
- Franchise tax

Grants and contributions not restricted to specific programs

Income from property and investments

Other general revenues

Transfers

Total general revenues and transfers

Change in net position, before special item

Special item

Change in net position

Net position, beginning of year

Net position, end of year

See Accompanying Notes to Financial Statements.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (2,966,014)	\$ -	\$ (2,966,014)
(25,730,901)	-	(25,730,901)
(8,087,536)	-	(8,087,536)
(3,068,531)	-	(3,068,531)
1,057,143	-	1,057,143
(281,018)	-	(281,018)
(39,076,857)	-	(39,076,857)
-	89,617	89,617
-	(303,552)	(303,552)
-	589,974	589,974
-	(209,856)	(209,856)
-	(84,921)	(84,921)
-	433,334	433,334
-	514,596	514,596
(39,076,857)	514,596	(38,562,261)
16,117,190	-	16,117,190
9,837,648	-	9,837,648
5,075,039	-	5,075,039
1,650,001	-	1,650,001
85,223	-	85,223
2,641,722	48,994	2,690,716
1,655,926	341,028	1,996,954
145,000	(145,000)	-
37,207,749	245,022	37,452,771
(1,869,108)	759,618	(1,109,490)
6,416,232	-	6,416,232
4,547,124	759,618	5,306,742
73,529,987	42,752,883	116,282,870
\$ 78,077,111	\$ 43,512,501	\$ 121,589,612

CITY OF LA HABRA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds		
	General	Child Development Special Revenue Fund	Capital Projects Fund
Assets:			
Cash and investments	\$ 10,384,026	\$ -	\$ 1,096,843
Accounts receivables	4,087,588	971	-
Interest receivables	52,572	-	-
Prepaid items	41,715	-	-
Due from other funds	1,085,909	-	-
Due from other governments	85,798	594,793	42,868
Due from Successor Agency	39,653	-	-
Loans receivable	-	-	-
Loans to Successor Agency	9,352,905	-	-
Total assets	<u>\$ 25,130,166</u>	<u>\$ 595,764</u>	<u>\$ 1,139,711</u>
Liabilities, Deferred inflows of resources, and Fund balances:			
Liabilities:			
Accounts payable	\$ 780,531	\$ 200,195	\$ 450,173
Accrued liabilities	1,864,607	55,115	417
Due to other funds	-	186,872	-
Advances from other funds	9,824,890	-	-
Unearned revenues	310,121	133,846	-
Total liabilities	<u>12,780,149</u>	<u>576,028</u>	<u>450,590</u>
Deferred inflows of resources:			
Unavailable revenues	3,570,927	-	-
Total deferred inflows of resources	<u>3,570,927</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	6,311,389	-	-
Restricted	269,912	19,736	-
Assigned	-	-	689,121
Unassigned	2,197,789	-	-
Total fund balances	<u>8,779,090</u>	<u>19,736</u>	<u>689,121</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,130,166</u>	<u>\$ 595,764</u>	<u>\$ 1,139,711</u>

See Accompanying Notes to Financial Statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 14,881,664	\$ 26,362,533
11,193	4,099,752
26,202	78,774
-	41,715
-	1,085,909
2,682,079	3,405,538
-	39,653
624,436	624,436
-	9,352,905
<u>\$ 18,225,574</u>	<u>\$ 45,091,215</u>

\$ 1,459,436	\$ 2,890,335
174,642	2,094,781
862,050	1,048,922
-	9,824,890
169,289	613,256
<u>2,665,417</u>	<u>16,472,184</u>

624,436	4,195,363
<u>624,436</u>	<u>4,195,363</u>

-	6,311,389
14,935,721	15,225,369
-	689,121
-	2,197,789
<u>14,935,721</u>	<u>24,423,668</u>

<u>\$ 18,225,574</u>	<u>\$ 45,091,215</u>
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CITY OF LA HABRA, CALIFORNIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Total fund balances, governmental funds \$ 24,423,668

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 161,084,069	
Accumulated depreciation	<u>(56,786,946)</u>	104,297,123

Internal service funds are used by management to charge the costs of certain activities, such as risk management and fleet management, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 4,141,894

Certain receivables are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds. However, these revenues are reported in the governmental activities. 4,195,363

Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.

Energy loan	\$ (152,704)	
Energy capital lease	(356,068)	
Notes payable	(171,594)	
Compensated absences	(3,437,278)	
Net OPEB obligation	(2,255,000)	
Net pension liability and related deferred inflows of resources and outflows of resources	<u>(52,608,293)</u>	<u>(58,980,937)</u>

Net position of governmental activities \$ 78,077,111

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA, CALIFORNIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds		
	General	Child Development Special Revenue Fund	Capital Projects Fund
Revenues:			
Property taxes and special assessments	\$ 16,117,190	\$ -	\$ -
Sales and use tax	10,235,873	-	-
Transaction and use tax	5,063,240	-	-
Franchise tax	1,680,204	-	-
Intergovernmental	110,222	5,931,227	63,156
Licenses and permits	1,504,900	-	-
Charges for services	4,846,551	36,645	-
Fines, forfeitures, and penalties	1,140,276	-	-
Use of money and property	2,101,457	1,612	1,473
Other revenues	50,106	1,155	-
Total revenues	<u>42,850,019</u>	<u>5,970,639</u>	<u>64,629</u>
Expenditures:			
Current:			
General government	3,196,147	-	-
Public safety	26,630,055	-	-
Public works	5,085,326	-	674,887
Community services	3,500,629	5,955,234	-
Community development	1,841,696	-	-
Capital outlay	15,266	-	10,298,831
Debt service:			
Principal retirement	219,627	-	-
Interest and other charges	58,397	-	-
Total expenditures	<u>40,547,143</u>	<u>5,955,234</u>	<u>10,973,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,302,876</u>	<u>15,405</u>	<u>(10,909,089)</u>
Other financing sources (uses):			
Transfers in	-	-	5,057,113
Transfers out	(3,074,506)	-	(67,014)
Proceeds from sale of capital assets	741,229	-	-
Total other financing sources (uses)	<u>(2,333,277)</u>	<u>-</u>	<u>4,990,099</u>
Special item	-	-	-
Net change in fund balances	<u>(30,401)</u>	<u>15,405</u>	<u>(5,918,990)</u>
Fund balances, beginning of year	<u>8,809,491</u>	<u>4,331</u>	<u>6,608,111</u>
Fund balances, end of year	<u>\$ 8,779,090</u>	<u>\$ 19,736</u>	<u>\$ 689,121</u>

See Accompanying Notes to Financial Statements.

<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 16,117,190
-	10,235,873
-	5,063,240
-	1,680,204
5,889,750	11,994,355
49,000	1,553,900
413,071	5,296,267
-	1,140,276
142,341	2,246,883
142,975	194,236
<u>6,637,137</u>	<u>55,522,424</u>
-	3,196,147
882,165	27,512,220
1,274,489	7,034,702
694,412	10,150,275
1,080,007	2,921,703
4,680,262	14,994,359
58,958	278,585
9,679	68,076
<u>8,679,972</u>	<u>66,156,067</u>
<u>(2,042,835)</u>	<u>(10,633,643)</u>
999,161	6,056,274
(3,289,754)	(6,431,274)
-	741,229
<u>(2,290,593)</u>	<u>366,229</u>
<u>6,416,232</u>	<u>6,416,232</u>
<u>2,082,804</u>	<u>(3,851,182)</u>
<u>12,852,917</u>	<u>28,274,850</u>
<u>\$ 14,935,721</u>	<u>\$ 24,423,668</u>

CITY OF LA HABRA, 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, 2017

Net change in fund balances - total governmental funds: \$ (3,851,182)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$ 14,994,359	
Capital outlay not being capitalized	(1,175,387)	
Depreciation expense	<u>(3,598,371)</u>	10,220,601

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term liabilities and related items.

Debt service - principal	\$ 278,585	
Increase in compensated absences	(182,211)	
Decrease in OPEB obligation	59,000	
Increase in pension liability and related deferred inflows and outflows of resources	<u>(1,904,168)</u>	(1,748,794)

Some revenues in statement of activities that do not provide current financial resources are not reported as revenues in the funds. 317,110

Internal service funds are used by management to charge the costs of certain activities, such as risk management and fleet management, to individual funds. The net expense of the internal service funds is reported with governmental activities.

Net change in Internal service funds' net position (390,611)

Change in net position of governmental activities \$ 4,547,124

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA, CALIFORNIA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Assets:			
Current assets:			
Cash and investments	\$ 4,979,977	\$ 2,141,861	\$ 2,773,141
Accounts receivable, net	1,750,640	246,436	-
Interest receivable	8,817	4,485	5,712
Prepaid items	776,054	-	-
Due from other governments	-	-	-
Inventory	125,524	-	-
Total current assets	<u>7,641,012</u>	<u>2,392,782</u>	<u>2,778,853</u>
Noncurrent assets:			
Cash and investments with fiscal agents	4,654,021	-	1,106,296
Advances to other funds	1,259,923	539,967	400,000
Prepaid insurance costs	-	-	239,017
Water rights stock	16,058,817	-	-
Land held for resale	-	-	855,000
Capital assets, net	<u>35,021,672</u>	<u>4,629,322</u>	<u>12,800,000</u>
Total noncurrent assets	<u>56,994,433</u>	<u>5,169,289</u>	<u>15,400,313</u>
Total assets	<u>64,635,445</u>	<u>7,562,071</u>	<u>18,179,166</u>
Deferred outflows of resources:			
Unamortized loss on refunding of debt	51,745	-	1,491,309
Deferred amount from pension plans	570,977	222,118	171,014
Total deferred outflows of resources	<u>\$ 622,722</u>	<u>\$ 222,118</u>	<u>\$ 1,662,323</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds

Major Fund		Other Nonmajor Funds	Totals	Internal Service Funds
Refuse				
\$	5,731,620	\$ 1,834,088	\$ 17,460,687	\$ 8,613,433
	716,615	116,533	2,830,224	10,809
	12,240	3,681	34,935	17,064
	-	18,496	794,550	39,805
	-	55,531	55,531	8,507
	-	-	125,524	30,409
	<u>6,460,475</u>	<u>2,028,329</u>	<u>21,301,451</u>	<u>8,720,027</u>
	-	-	5,760,317	496,253
	-	-	2,199,890	8,025,000
	-	-	239,017	-
	-	-	16,058,817	-
	-	-	855,000	-
	<u>359,979</u>	<u>3,095,387</u>	<u>55,906,360</u>	<u>2,657,834</u>
	<u>359,979</u>	<u>3,095,387</u>	<u>81,019,401</u>	<u>11,179,087</u>
	<u>6,820,454</u>	<u>5,123,716</u>	<u>102,320,852</u>	<u>19,899,114</u>
	-	-	1,543,054	150,676
	46,482	123,063	1,133,654	478,519
\$	<u>46,482</u>	\$ <u>123,063</u>	\$ <u>2,676,708</u>	\$ <u>629,195</u>

(Continued)

CITY OF LA HABRA, CALIFORNIA
Statement of Net Position
Proprietary Funds (Continued)
June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Liabilities:			
Current liabilities:			
Accounts payable	\$ 954,587	\$ 138,105	\$ 15,000
Accrued liabilities	64,439	29,818	5,235
Accrued interest	348,393	-	232,979
Deposits payable	256,600	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Claims payable, current	-	-	-
Certificates of participation, current	-	-	325,000
Water revenue bonds, current	795,000	-	-
Compensated absences, current	36,161	14,802	10,176
Total current liabilities	<u>2,455,180</u>	<u>182,725</u>	<u>588,390</u>
Noncurrent liabilities:			
Advances from other funds	-	-	-
Claims payable, noncurrent	-	-	-
Certificates of participation, noncurrent	-	-	13,576,272
Water revenue bonds, noncurrent	37,171,047	-	-
Lease financing, noncurrent	-	-	-
Pollution remediation liability	-	-	-
Compensated absences, noncurrent	84,376	34,538	23,745
Net pension liability	2,000,620	795,111	165,782
Total noncurrent liabilities	<u>39,256,043</u>	<u>829,649</u>	<u>13,765,799</u>
Total liabilities	<u>41,711,223</u>	<u>1,012,374</u>	<u>14,354,189</u>
Deferred inflows of resources:			
Deferred amount from pension plans	22,627	13,401	1,867
Total deferred inflows of resources	<u>22,627</u>	<u>13,401</u>	<u>1,867</u>
Net position:			
Net investment in capital assets	13,693,172	4,629,322	1,496,333
Restricted for:			
Low-moderate income housing	-	-	485,000
Pollution remediation	-	-	-
Unrestricted	9,831,145	2,129,092	3,504,100
Total net position	<u>\$ 23,524,317</u>	<u>\$ 6,758,414</u>	<u>\$ 5,485,433</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds

<u>Major Funds</u>	<u>Other Nonmajor Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Refuse			
\$ 381,131	\$ 33,967	\$ 1,522,790	\$ 214,412
3,315	7,008	109,815	127,860
-	-	581,372	40,856
-	1,000	257,600	-
-	-	-	36,987
36,117	-	36,117	-
-	-	-	1,146,546
-	-	325,000	355,000
-	-	795,000	-
3,277	5,868	70,284	1,473,119
<u>423,840</u>	<u>47,843</u>	<u>3,697,978</u>	<u>3,394,780</u>
-	400,000	400,000	-
-	-	-	3,514,784
-	-	13,576,272	2,058,311
-	-	37,171,047	-
-	-	-	5,600,000
2,800,000	-	2,800,000	-
7,647	13,693	163,999	-
206,683	452,536	3,620,732	1,749,321
<u>3,014,330</u>	<u>866,229</u>	<u>57,732,050</u>	<u>12,922,416</u>
<u>3,438,170</u>	<u>914,072</u>	<u>61,430,028</u>	<u>16,317,196</u>
15,977	1,159	55,031	69,219
<u>15,977</u>	<u>1,159</u>	<u>55,031</u>	<u>69,219</u>
359,979	3,095,387	23,274,193	2,657,834
-	-	-	-
-	-	485,000	-
581,402	-	581,402	-
2,471,408	1,236,161	19,171,906	1,484,060
<u>\$ 3,412,789</u>	<u>\$ 4,331,548</u>	<u>\$ 43,512,501</u>	<u>\$ 4,141,894</u>

CITY OF LA HABRA, CALIFORNIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Operating revenues:			
Water sales	\$ 12,810,929	\$ -	\$ -
Charges for services	224,819	1,803,519	1,277,397
Intergovernmental	-	-	4,433
Total operating revenues	<u>13,035,748</u>	<u>1,803,519</u>	<u>1,281,830</u>
Operating expenses:			
Water and materials	2,644,335	-	-
Contractual services	1,413,205	92,861	95,753
Wages and fringe benefits	1,895,361	658,637	269,294
Benefits and claims	-	-	-
Equipment and maintenance	905,762	137,536	-
Materials and supplies	267,631	23,356	97
Utilities	385,385	-	-
Depreciation	1,179,534	231,149	-
Administration	2,188,381	963,532	338,062
Total operating expenses	<u>10,879,594</u>	<u>2,107,071</u>	<u>703,206</u>
Operating income (loss)	<u>2,156,154</u>	<u>(303,552)</u>	<u>578,624</u>
Nonoperating revenues (expenses):			
Interest income	69,985	27,955	24,475
Other nonoperating revenues	341,028	-	-
Net increase (decrease) in fair value of investment	(35,115)	(21,366)	(23,881)
Interest expense	(2,066,537)	-	(788,480)
Total nonoperating revenues (expenses)	<u>(1,690,639)</u>	<u>6,589</u>	<u>(787,886)</u>
Income (loss) before contributions and transfers	465,515	(296,963)	(209,262)
Capital contributions	-	-	-
Transfers in	211,132	-	-
Transfers out	(216,250)	(82,636)	-
Change in net position	<u>460,397</u>	<u>(379,599)</u>	<u>(209,262)</u>
Net position, beginning of year	<u>23,063,920</u>	<u>7,138,013</u>	<u>5,694,695</u>
Net position, end of year	<u>\$ 23,524,317</u>	<u>\$ 6,758,414</u>	<u>\$ 5,485,433</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds

<u>Major Fund</u>	<u>Other Nonmajor Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
<u>Refuse</u>			
\$ -	\$ -	\$ 12,810,929	\$ -
3,822,875	3,321,198	10,449,808	5,597,578
133,543	1,773	139,749	-
<u>3,956,418</u>	<u>3,322,971</u>	<u>23,400,486</u>	<u>5,597,578</u>
-	-	2,644,335	-
2,905,248	546,678	5,053,745	880,006
175,867	401,214	3,400,373	2,071,128
-	-	-	775,546
78,096	57,662	1,179,056	605,674
8,466	8,070	307,620	521,960
-	284,897	670,282	211,553
12,748	170,791	1,594,222	502,797
186,019	1,505,246	5,181,240	1,059,605
<u>3,366,444</u>	<u>2,974,558</u>	<u>20,030,873</u>	<u>6,628,269</u>
589,974	348,413	3,369,613	(1,030,691)
47,575	12,810	182,800	276,433
-	-	341,028	-
(42,366)	(11,078)	(133,806)	(65,147)
-	-	(2,855,017)	(212,942)
<u>5,209</u>	<u>1,732</u>	<u>(2,464,995)</u>	<u>(1,656)</u>
595,183	350,145	904,618	(1,032,347)
-	-	-	121,736
-	92,500	303,632	520,000
(149,746)	-	(448,632)	-
<u>445,437</u>	<u>442,645</u>	<u>759,618</u>	<u>(390,611)</u>
2,967,352	3,888,903	42,752,883	4,532,505
<u>\$ 3,412,789</u>	<u>\$ 4,331,548</u>	<u>\$ 43,512,501</u>	<u>\$ 4,141,894</u>

CITY OF LA HABRA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Cash flows from operating activities:			
Receipts from customers and users	\$ 12,952,368	\$ 1,779,990	\$ -
Receipts from interfund services provided	-	-	1,286,263
Payments to suppliers	(6,245,531)	(290,394)	(83,377)
Payments for interfund services used	(2,149,032)	(1,054,002)	(335,893)
Payments for employees' salaries and benefits	(1,887,764)	(663,587)	(263,589)
Net cash provided by (used in) operating activities	<u>2,670,041</u>	<u>(227,993)</u>	<u>603,404</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(216,250)	(82,636)	-
Transfers from other funds	211,132	-	-
Receipts of advances to/from other funds	175,000	75,000	400,000
Payments of advances to/from other funds	-	-	-
Receipts of due to other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>169,882</u>	<u>(7,636)</u>	<u>400,000</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(797,294)	(376,310)	-
Purchase of land held for resale	-	-	(740,000)
Capital contribution	-	-	-
Principal paid on capital debt	(770,000)	-	(315,000)
Interest paid on capital debt	(1,773,089)	-	(707,482)
Net cash provided by (used in) capital and related financing activities	<u>(3,340,383)</u>	<u>(376,310)</u>	<u>(1,762,482)</u>
Cash flows from investing activities:			
Purchase of investments	(207,015)	(21,366)	(23,881)
Sales of investments	-	-	-
Interest on investments	47,931	19,231	24,036
Net cash provided by investing activities	<u>(159,084)</u>	<u>(2,135)</u>	<u>155</u>
Net increase (decrease) in cash and cash equivalents	(659,544)	(614,074)	(758,923)
Cash and cash equivalents, beginning of year	10,293,542	2,755,935	4,638,360
Cash and cash equivalents, end of year	<u>\$ 9,633,998</u>	<u>\$ 2,141,861</u>	<u>\$ 3,879,437</u>
Cash and cash equivalents:			
Cash and investments	\$ 4,979,977	\$ 2,141,861	\$ 2,773,141
Cash and investments with fiscal agents	4,654,021	-	1,106,296
Total cash and cash equivalents	<u>\$ 9,633,998</u>	<u>\$ 2,141,861</u>	<u>\$ 3,879,437</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds

<u>Major Fund</u>	<u>Other Nonmajor Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
<u>Refuse</u>			
\$ 3,769,153	\$ 3,177,046	\$ 21,678,557	\$ 84,408
-	110,113	1,396,376	5,515,348
(2,923,143)	(1,995,454)	(11,537,899)	(3,515,014)
(209,907)	(370,369)	(4,119,203)	(36,996)
(171,473)	(398,086)	(3,384,499)	(2,342,897)
<u>464,630</u>	<u>523,250</u>	<u>4,033,332</u>	<u>(295,151)</u>
(149,746)	-	(448,632)	-
-	92,500	303,632	520,000
-	-	650,000	-
-	(400,000)	(400,000)	340,000
-	-	-	(46,457)
<u>(149,746)</u>	<u>(307,500)</u>	<u>105,000</u>	<u>813,543</u>
-	(27,376)	(1,200,980)	(680,880)
-	-	(740,000)	-
-	-	-	121,736
-	-	(1,085,000)	(340,000)
-	-	(2,480,571)	(187,192)
<u>-</u>	<u>(27,376)</u>	<u>(5,506,551)</u>	<u>(1,086,336)</u>
(42,366)	(11,078)	(305,706)	(65,759)
-	-	-	612
44,589	11,525	147,312	273,829
<u>2,223</u>	<u>447</u>	<u>(158,394)</u>	<u>208,682</u>
317,107	188,821	(1,526,613)	(359,262)
5,414,513	1,645,267	24,747,617	9,468,948
<u>\$ 5,731,620</u>	<u>\$ 1,834,088</u>	<u>\$ 23,221,004</u>	<u>\$ 9,109,686</u>
\$ 5,731,620	\$ 1,834,088	\$ 17,460,687	\$ 8,613,433
-	-	5,760,317	496,253
<u>\$ 5,731,620</u>	<u>\$ 1,834,088</u>	<u>\$ 23,221,004</u>	<u>\$ 9,109,686</u>

(Continued)

CITY OF LA HABRA, CALIFORNIA
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Housing Authority</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 2,156,154	\$ (303,552)	\$ 578,624
Adjustments to Reconcile			
Operating Income (Loss) to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation	1,179,534	231,149	-
Change in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:			
(Increase) decrease in receivables	(98,380)	(23,529)	4,433
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(29,656)	-	-
(Increase) decrease in prepaid items	(604,154)	-	-
Increase (decrease) in accounts payable	29,259	(127,111)	14,642
Increase (decrease) in accrued liabilities	(45,099)	(19,724)	(6,337)
Increase (decrease) in deposits payable	15,000	-	-
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in claims liabilities	-	-	-
Increase (decrease) in compensated absences	19,306	(4,100)	4,102
Increase (decrease) in net pension liability and related deferred inflows and outflows of resources	48,077	18,874	7,940
Total adjustments	513,887	75,559	24,780
Net cash provided by (used in) operating activities	<u>\$ 2,670,041</u>	<u>\$ (227,993)</u>	<u>\$ 603,404</u>
Noncash Capital and Related Financing Transactions			
Amortization of unamortized loss on refunding of debt	\$ 1,965	\$ -	\$ 64,373
Amortization of bond discount (premium)	(45,455)	-	9,441
Amortization of prepaid insurance cost related to bonds	-	-	10,317
Capital expenses funded by accounts payable	339,341	147,741	-

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds

<u>Major Fund</u>	<u>Other Nonmajor Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
<u>Refuse</u>			
\$ 589,974	\$ 348,413	\$ 3,369,613	\$ (1,030,691)
12,748	170,791	1,594,222	502,797
(182,935)	(26,131)	(326,542)	6,521
-	(9,681)	(9,681)	(4,343)
-	-	(29,656)	4,788
-	18,851	(585,303)	40
44,779	17,879	(20,552)	(86,559)
(2,290)	(12,920)	(86,370)	54,057
-	-	15,000	-
(4,330)	-	(4,330)	-
-	-	-	141,065
2,462	4,857	26,627	78,090
4,222	11,191	90,304	39,084
(125,344)	174,837	663,719	735,540
<u>\$ 464,630</u>	<u>\$ 523,250</u>	<u>\$ 4,033,332</u>	<u>\$ (295,151)</u>

\$ -	\$ -	\$ 66,338	\$ 29,163
-	-	(36,014)	2,260
-	-	10,317	-
-	-	487,082	105,322

CITY OF LA HABRA, CALIFORNIA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Current assets:		
Cash and investments	\$ 1,822,555	\$ 890,968
Accounts receivable	1,520	-
Interest receivable	-	15,918
Total current assets	<u>1,824,075</u>	<u>906,886</u>
Noncurrent assets:		
Cash and investments with fiscal agent	427,471	-
Prepaid insurance costs	40,121	-
Land held for resale	2,500,000	-
Total noncurrent assets	<u>2,967,592</u>	<u>-</u>
 Total assets	 <u>\$ 4,791,667</u>	 <u>\$ 906,886</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 395,210	\$ 81,005
Accrued liabilities	47,817	14,491
Accrued interest	58,283	-
Deposits	-	811,390
Due to City of La Habra	39,653	-
Bonds payable	515,000	-
Total current liabilities	<u>1,055,963</u>	<u>906,886</u>
Noncurrent liabilities:		
Loans due to City of La Habra	9,352,905	-
Bonds payable	5,087,025	-
Total noncurrent liabilities	<u>14,439,930</u>	<u>-</u>
 Total liabilities	 <u>15,495,893</u>	 <u>\$ 906,886</u>
Net Position (Deficit):		
Held in trust for redevelopment dissolution	<u>\$ (10,704,226)</u>	

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA, CALIFORNIA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2017

	Private-Purpose Trust Fund
Additions:	
Taxes	\$ 3,472,188
Other revenues	9,810
Total additions	3,481,998
Deductions:	
Program expenses	398,953
Administrative expenses	322,702
Interest and fiscal agency expenses	1,000,635
Contribution to the County of Orange	2,271,772
Loss on sale of capital assets	1,398,613
Total deductions	5,392,675
Change in net position	(1,910,677)
Net Position (deficit) held in trust:	
Beginning of year	(8,793,549)
End of year	\$ (10,704,226)

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The City of La Habra, California (City), was incorporated in 1925 under the general laws of the State of California. The City operates under an elected Council/City Manager form of government. The City's major operations include police and fire protection, public works, parks, recreation, and certain social services and general administration services. In addition, the City operates four major enterprise activities comprising water, sewer, housing authority, and refuse.

Accounting principles generally accepted in the United States of America require that these financial statements represent the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. All component units included in the reporting entity report their financial information on a fiscal year ending June 30. These component units are controlled by common governing boards comprised of all City Council members and are presented as blended component units for financial reporting purposes as follows:

The La Habra Civic Improvement Authority (Authority) was formed by a joint exercise of powers agreement between the City and the former Redevelopment Agency of the City of La Habra (Agency) in September 1982. The purpose of the agreement is to provide a single public agency to acquire property for both the City and the former Agency. Subsequent to the dissolution of the former Redevelopment Agency on February 1, 2012, the City of La Habra Housing Authority joined the Authority as a member on March 5, 2012. Separate financial statements are not prepared for this blended component unit.

The City of La Habra Housing Authority (Housing Authority) was formed on September 23, 1992, by resolution of the City Council. The purpose of the Housing Authority is to assist the City in financing the acquisition and construction of low and moderate income housing projects within the City. The Community Development Department of the City has operational responsibility for the Housing Authority. Separate financial statements are not prepared for this blended component unit.

The Utility Authority of the City of La Habra (Utility Authority) was formed a joint exercise of powers agreement between the City and the former Redevelopment Agency of the City of La Habra on January 16, 2007, and began legal operation on July 1, 2007. The Utility Authority was formed by the City to maintain and operate the City's Water and Sewer systems. The Utility Authority is responsible for establishing utility rates, performing routine system maintenance, establishing and executing necessary capital improvement plans, purchasing and selling water, and performing other necessary utility system operations. Subsequent to the dissolution of the former Redevelopment Agency on February 1, 2012, the City of La Habra Housing Authority joined the Utility Authority as a member on March 5, 2012. Separately issued financial statements for the Utility Authority may be obtained through written request to the City Department of Finance.

Fiduciary Component Unit

The Successor Agency to the Redevelopment Agency of the City of La Habra (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

former Redevelopment Agency pursuant to City Council actions taken on January 12, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary fund statements as a private-purpose trust fund. Separate financial statements are not prepared for this component unit. See Note (3)(d) for further detail regarding the dissolution.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component units. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Exceptions to this general rule are charges between the government's enterprise activity functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not classified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 are 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.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues from property, sales and other taxes and fees to be available if they are collected within 60 days of the end of the current fiscal period; grant revenues are considered to be available if collected within 365 days of the end of the grant period; and other revenues are considered to be available if collected within 365 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other post-employment benefits (OPEB), claims and judgments are recorded only when payment is due.

The City has categorized the Sewer Enterprise Fund and Refuse Enterprise Fund as major funds for public benefit reasons. The City believes that these judgmentally determined major funds are particularly important to the financial statement users.

Governmental fund types are those funds through which most governmental functions typically are financed. The following comprise the City's major governmental funds:

General Fund

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. Activities accounted for in the General Fund include operation of the City's general service departments; street and highway maintenance, public safety, parks and recreation programs are accounted for in this fund.

Child Development Special Revenue Fund

The Child Development Special Revenue Fund is used to account for financial resources to be used for various childcare and childcare food programs. Financing is provided through state and federal grants.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds or Trust Funds.

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

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

The City reports the following major enterprise funds:

Water Fund

The Water Fund accounts for activities associated with the distribution and transmission of potable water to users.

Sewer Fund

The Sewer Fund accounts for all revenue and expenses of the sanitary sewer system. This enterprise activity, including maintenance, replacement, and improvement of capital projects, serves all residents of the City.

Housing Authority Fund

The Housing Authority Fund accounts for all revenue and expenses relating to the Housing Authority's activities.

Refuse Fund

The Refuse Fund accounts for all revenue and expenses of the refuse collection and disposal activity. Curbside collection service and transportation to a County of Orange sanitary landfill site is provided by a private contractor. User fees are collected to defray the contract, administration, billing and collection costs.

Additionally, the City reports the following:

The special revenue funds account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

The debt service fund accounts for debt service activity for the Lowell Joint School District (Osornio Park) note payable.

Low-Moderate Income Housing Asset Capital Projects Fund accounts for resources restricted or assigned for capital improvements relating to low and moderate income housing projects.

The internal service funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The following funds are included in this fund type:

The Fleet Management Fund accounts for the financing of the fuel, maintenance, and operation of motor vehicles owned by the City. Departments using vehicles are charged an annual amount for fuel, maintenance, and operation based on their actual experience.

The Risk Management Fund accounts for claim settlements, administrative costs, and the reserve fund established for future losses from liability suits; workers' compensation claims and medical, disability, and rehabilitation payments; legal and administrative costs; and the reserve fund established for future losses from industrial injury. This self-insurance fund is financed by departmental premiums based on historical experience and exposure to risk.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

The Information Technology Fund accounts for the provision of telephone and data technology services. The departments using these services are charged fees based on the number of telephones and computers assigned to each department.

The Civic Improvement Authority Fund accounts for all revenue and expenses of the separate legal entity as a joint powers agency by the City and the former Redevelopment Agency on September 14, 1982. Financing is mainly through the issuances of Certificates of Participation and Revenue Bonds used for the acquisition of equipment to be leased to the City. Additionally, until the dissolution of the former Redevelopment Agency, the Authority had purchased real property which produced rental income until it was included in a redevelopment project.

The Fleet Replacement Fund accounts for the financing of vehicles and similar types of equipment. The departments using these vehicles and equipment are charged a "rental fee" composed of depreciation calculated on the straight-line basis plus an additional amount sufficient to finance the replacement of said vehicles and equipment.

The Employee Benefits Fund accounts for the payments and reserves for employee benefits. The departments with the respective employees are charged as benefit is used.

The Other Post Employment Benefit Set-aside Fund accounts for set-aside money to fund future other post employment benefit other than pension. This fund is financed by departmental charges based on each department full time equivalent.

Fiduciary fund types are accounted for on the accrual basis of accounting as are proprietary funds explained above. These types of funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The City reports the following fiduciary funds, which are excluded from the government-wide financial statements:

a. Private-Purpose Trust Fund

The Private-Purpose Trust Fund accounts for the custodial responsibilities that are assigned to the Successor Agency pursuant to the California Assembly Bill X1 26 (Dissolution Act).

b. Agency Fund

The Agency Fund accounts for public deposits on a variety of City services held by the City as an agent for others. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

(d) *Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position or Fund Balance*

1. *Deposits and investments*

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

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

transaction between market participants at the measurement date. Changes in fair value that occur during the fiscal year are recognized as use of money and property (governmental funds) and net change in the fair value of investment (proprietary funds).

Cash and investments are pooled to maximize investment yields. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs. The net change in fair value and interest income on investments is allocated to the various funds based on each fund's average cash and investment balance.

The City owns approximately 30% and 56%, respectively, of the outstanding common stock and preferred stock of a mutual water company at June 30, 2017, and has valued this asset at cost as this stock does not have a readily determinable value and does not meet the requirements of accounting under the equity method (see Note (2)(e)). Cost is the amount of the City's basis in an investment less any distributions. Investments at cost are analyzed for impairment to determine if events or changes in circumstances indicate the carrying amount of the investment may not be recoverable. An investment is impaired and a loss is recognized in the period when a decline in its fair value below the amortized cost basis is other than temporary. Investment gains and losses are recognized when the investment is sold. Investment earnings, including interest and dividends, are recognized in the period earned.

2. *Statement of Cash Flows*

For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all pooled cash and investments and cash with fiscal agents. The City considers the cash and investment pool to be a demand deposit account where funds may be withdrawn and deposited at any time without prior notice or penalty.

3. *Receivables*

Interest receivable – The City accrues interest earned but not yet received.

Accounts receivable and due from other governments – These balances are comprised primarily of revenues that have already been earned but not yet received by the City as of June 30, 2017, from individual customers, private entities and government agencies. In addition, this includes accrued revenues due from other governmental agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures incurred but not yet reimbursed by the grantors. Management determines the allowance for doubtful accounts by evaluating balances in the aging report. The allowance for doubtful accounts is adjusted at fiscal year end based on the amount equal to the annual uncollectible accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivables, delinquent notices for 30 days are sent to customers with outstanding balances. After 60 days, accounts still outstanding are forwarded to a collection company.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

4. *Interfund Transactions*

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are allocable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended are separately reported in the respective funds' operating statements.

Activity between funds that is representative of lending/borrowing arrangements at the end of the fiscal year is referred to as "due to/from other funds" or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net position as "internal balances."

5. *Taxes Receivable*

Real property taxes are levied for the period beginning on July 1 to June 30 against property owners of record on January 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year in the governmental fund financial statements.

6. *Inventories, Prepaid Items and Land Held for Resale*

Inventory reported in governmental funds is valued at cost using the first in, first out (FIFO) method. The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed (purchases method). Inventory in the proprietary funds consists of expendable supplies and water held for consumption.

Land held for resale is valued at the lower of cost or estimated net realizable value as determined upon the execution of a disposition and development agreement.

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 cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased (consumption method).

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

7. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, improvements other than buildings, property and equipment, and infrastructure assets (e.g. roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the respective proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue and Capital Project Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life is not capitalized.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

<u>Type of Asset</u>	<u>Life in Years</u>
Sewer:	
Main	40
Lateral	40
Manholes	40
Water:	
Pumping equipment	20-25
Reservoirs and mains	40
Meters and hydrants	30
Telemetry	25
Autos and trucks	2-15
Machinery and equipment	3-20
Buildings and improvements	5-40
Infrastructure	30-50
Improvements other than buildings	5-20

8. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Sick leave is payable when used, or upon death or retirement.

For governmental fund types, the amount of accumulated unpaid vacation and sick leave, which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. For

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

government-wide and proprietary fund statements, the liability for compensated absences is recognized as incurred.

9. *Unearned Revenue*

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

10. *Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Unamortized loss on refunding of debt reported in the government-wide statement of net position and proprietary statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred amount from pension plans (see Note (3)(a) for detail)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue/contra expense) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable revenues reported on in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: long-term loans receivable, grants not collected within the “availability period”, and accumulated interest on a long-term receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred amount from pension plans (see Note (3)(a) for detail)

11. *Long-Term Obligations*

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expended when incurred.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Pensions

For purpose of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the California Public Employees' Retirement System (CalPERS) plans (Plans) and additions 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.

13. Budgets and Encumbrances

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department head, with approval of the Director of Finance and City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments within a fund must be approved by the City Manager. Transfers between funds must be approved by the City Council; therefore, the legal level of budgetary control is at the fund level. The council made several supplemental budgetary appropriations throughout the year. Certain types of transfers between funds are approved by the City Council in the budget resolution. The amounts of these transfers are typically unknown until the year end therefore not included in the final budget. An annual budget is not legally adopted for Traffic Improvement Special Revenue Fund, General Plan Update Special Revenue Fund, and Public Art Special Revenue Fund in fiscal year ended June 30, 2017.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities, because the commitments will be reappropriated and honored during the subsequent year.

14. Net Position/ Fund Balance

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted and unrestricted for the government-wide and proprietary fund financial

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, excluding unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for government funds are made up of the following:

- **Nonspendable Fund Balance** – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- **Restricted Fund Balance** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed Fund Balance** – includes amounts that can only be used for the specific purposes determined by a formal action (i.e., resolution or ordinance) of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- **Assigned Fund Balance** – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council body by delegating the authority to assign amounts to be used for specific purposes.
- **Unassigned Fund Balance** – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for an incurred expenditure, it is the City’s policy to spend restricted resources first then unrestricted resources, as necessary. When unrestricted resources are available for incurred expenditures, it is the City’s policy to use committed amounts first, followed by assigned amounts and then unassigned amounts.

The following fund had a deficit at June 30, 2017:

Fund	Deficit Net Position
Fleet Management Internal Service Fund	\$ 70,227
Risk Management Internal Service Fund	\$ 42,508

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

The deficit net positions in Fleet Management Fund and Risk Management Fund are expected to be eliminated with future revenues and transfers.

15. Use of Estimates

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

16. Implementation of Pronouncements

The City has adopted and implemented the following GASB Statements during the year ended June 30, 2017:

- GASB 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*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2017.
- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2017.
- GASB Statement No. 77 – *Tax Abatement Disclosures*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2017.
- GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2017.
- GASB Statement No. 79 – *Certain External Investment Pools*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2017.
- GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2017.
- GASB Statement No. 82 – *Pensions Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2017.

17. Pronouncements Issued but Not Yet Adopted

GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of this Statement are effective for fiscal years ending June 30, 2018.
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The provision of this Statement are effective for fiscal year ending June 30, 2018.
- GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The provision of this Statement are effective for fiscal year ending June 30, 2019.
- GASB Statement No. 84 – *Fiduciary Activities*. The provision of this Statement are effective for fiscal year ending June 30, 2020.
- GASB Statement No. 85 – *Omnibus 2017*. The provision of this Statement are effective for fiscal year ending June 30, 2018.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The provision of this Statement are effective for fiscal year ending June 30, 2018.
- GASB Statement No. 87 – *Leases*. The provision of this Statement are effective for fiscal year ending June 30, 2021.

(2) DETAILED NOTES ON ALL FUNDS

(a) Cash and Investments

Cash and investments at June 30, 2017, consist of the following:

Statement of net position:

Cash and investments	\$ 52,436,653
Cash and investments with fiscal agents	6,256,570

Fiduciary funds:

Cash and investments	2,713,523
Cash and investments with fiscal agents	427,471

Total	\$ 61,834,217
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Cash and investments at June 30, 2017 are classified as follows:

Petty cash	\$ 1,830
Deposits with financial institutions	13,977,681
Investments:	
City pool	41,170,665
Held by fiscal agent	6,684,041
Total cash and investments	\$ 61,834,217

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

The City maintains a cash and investment pool that is available for use by all funds. Each fund's share of the pool balance is reported in the financial statements as cash and investments. Separate cash and investment accounts are not maintained for each City fund; however, individual accounting records are maintained showing the balance attributable to each fund. Investment income resulting from this pooling is allocated to the respective funds based on the sources of funds invested as required by law.

Investments Authorized by the California Government Code and the City of La Habra Adopted Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
City or City Agency Bonds	5 years	10%	None
U.S. Treasury Obligations	5 years	100%	None
State of California Obligations	5 years	20%	None
California Local Agency Bonds	5 years	20%	None
U.S. Agency Obligations	5 years	100%	35% *
Bankers' Acceptance	180 days	20% *	5% *
Commercial Paper	270 days	25%	5% *
Negotiable CDs	5 years	30%	5% *
Time Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days *	100%	None
Medium Term Notes	5 years	20% *	5% *
Money Market Mutual Funds	N/A	20%	10%*
Asset-Backed and Mortgage-Back Securities	5 years	10% *	5% *
Supranational Securities	5 years	10% *	5% *
Local Agency Investment Fund (LAIF)	N/A	100%	\$50 million per account

- * Represents where the City's investment policy is more restrictive than the California Government Code:
- U.S. Agency Obligations – The California Government Code allows a city to invest 100% of its portfolio in a single issuer of this investment type.
 - Bankers' Acceptance – The California Government Code allows a city to invest up to 40% of its portfolio and up to 30% in a single issuer.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

- Commercial Paper – The California Government Code allows a city to invest up to 10% of its portfolio in in a single issuer.
- Negotiable CDs – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.
- Repurchase Agreements – The California Government Code allows a city to invest in repurchase agreements with a maximum maturity of 92 days.
- Medium Term Notes – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.
- Money Market Mutual Funds – The California Government Code does not have an investment limitation in a single issuer.

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 general investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U.S. Agency Securities	None	None	None
Unsecured CDs, Time Deposits and Bankers’ Acceptance	30 days	None	None
FDIC Insured Bank Deposits	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
State Obligations	None	None	None
Pre-funded Municipal Obligations	None	None	None
Repurchase Agreements	90 days	None	None
Investment Agreements	None	None	None
Local Agency Investment Fund (LAIF)	None	None	\$50 million per account

Interest Rate Risk

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

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investment to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity, except for fiscal agent investments which are reported in a following separate section:

Investment Types	Amount	Remaining Maturity		
		Less Than 1 Year	1 to 3 Years	3 to 5 Years
U.S. Agency obligations	\$ 13,657,346	\$ 3,271,499	\$ 4,949,757	\$ 5,436,090
LAIF	9,833,991	9,833,991	-	-
U.S. Treasury obligations	9,992,106	897,258	3,874,503	5,220,345
Corporate medium-term notes	4,913,360	1,198,506	1,508,766	2,206,088
Asset-backed securities	1,668,778	-	1,668,778	-
Commercial paper	624,877	624,877	-	-
Supranational	387,734	-	-	387,734
Money market mutual funds	92,473	92,473	-	-
Total	<u>\$ 41,170,665</u>	<u>\$ 15,918,604</u>	<u>\$ 12,001,804</u>	<u>\$ 13,250,257</u>

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 the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type, except for fiscal agent investments which are reported in a separate section below.

Investment Types	Amount	Minimum Legal Rating	Moody's Rating as of Year End (where applicable)				
			Exempt from Disclosure	AAA	AA	A	Not Rated
U.S. Agency obligations	\$ 13,657,346	N/A	\$ -	\$ 13,657,346	\$ -	\$ -	\$ -
LAIF	9,833,991	Not Rated	-	-	-	-	9,833,991
U.S. Treasury obligations	9,992,106	N/A	9,992,106	-	-	-	-
Corporate medium-term notes	4,913,360	A	-	401,440	1,259,807	3,252,113	-
Asset-backed securities	1,668,778	A	-	1,668,778	-	-	-
Commercial paper	624,877	A	-	-	-	624,877	-
Supranational	387,734	AAA	-	387,734	-	-	-
Money market mutual funds	92,473	AAA	-	92,473	-	-	-
	<u>\$ 41,170,665</u>		<u>\$ 9,992,106</u>	<u>\$ 16,207,771</u>	<u>\$ 1,259,807</u>	<u>\$ 3,876,990</u>	<u>\$ 9,833,991</u>

Concentration of Credit Risk

The City's investment policy contains certain limitations as disclosed in the accompanying table on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The distribution of investments, by issuer that represents 5% or more of the City's investments is as follows:

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

<u>Issuer Name</u>	<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury obligations ⁽¹⁾	U.S. Treasury obligations ⁽¹⁾	\$ 9,833,991
U.S. Agency obligations	Federal National Mortgage Association	5,853,839
U.S. Agency obligations	Federal Home Loan Bank	3,998,291
U.S. Agency obligations	Federal Home Loan Mortgage Corp.	3,805,216

⁽¹⁾ Exempt from disclosure

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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's deposits were not subject to custodial credit risk at June 30, 2017.

Interest Rate Risk and Credit Risk for Investments Held by Fiscal Agents

The following table lists the investment holdings of City issued bond transactions:

Cash and Investments Held by Fiscal Agents			
(1998 Series A, B, and C COPs, 2016 Tax Allocation Bonds, 2010 Series A COPs, 2010 Revenue Bonds, and 2013 Revenue Bonds)			
<u>Investment Type</u>	<u>Reported Amount</u>	<u>Maturity</u>	<u>Rating</u>
Money market mutual funds	\$ 2,172,581	Less than 1 year	AAA
Investment contracts:			
Westdeutsche Landesbank	395,460	9/1/2022	Not Rated
LAIIF	<u>4,116,000</u>	Less than 1 year	Not Rated
	<u>\$ 6,684,041</u>		

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

Investment Contracts with Fiscal Agents

The City has an investment contract held by trustees pledged to the payment or security of certain bonds. The investment contract represents monies invested with Westdeutsche Landesbank Girozentrale (WLG) out of New York City, New York, carried at cost. Pursuant to the Custody Agreement, WLG has posted collateral securities with the Custodian acting on behalf of the City. In the unlikely event of a payment default by WLG, the Custodian would liquidate the collateral securities, resulting in the City receiving 100% of its invested funds. The City receives semiannual interest payments each March 1 and September 1 at annual rates of 5.69% and 5.90%. The investment agreements expire September 1, 2022, at which time all unpaid principal will be remitted to the City. This investment is not insured.

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 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 total amount invested by all public agencies in LAIF as of June 30, 2017, was \$22.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017, had a balance of \$77.5 billion, of that amount, 2.89% was invested in medium-term and short-term structured notes and asset-backed securities. At June 30, 2017, these investments matured in an average of 194 days.

Fair Value Measurements

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

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

<u>Investment Types</u>	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>Total</u>
U.S. Agency Obligations	\$ -	\$ 13,657,346	\$ -	\$ 13,657,346
U.S. Treasury Obligations	-	9,992,106	-	9,992,106
Corporate Medium-Term Notes	-	4,913,360	-	4,913,360
Asset-backed Securities	-	1,668,778	-	1,668,778
Commercial Paper	-	624,877	-	624,877
Supranational	-	387,734	-	387,734
Held by Fiscal Agent:				
Investment Contracts	-	-	395,460	395,460
Total Leveled Investments	<u>\$ -</u>	<u>\$ 31,244,201</u>	<u>\$ 395,460</u>	31,639,661
Local Agency Investment Fund*				9,833,991
Money Market Mutual Funds*				92,473
Held by Fiscal Agent:				
Local Agency Investment Fund*				4,116,000
Money Market Mutual Funds*				2,172,581
Total Investment Portfolio				<u>\$ 47,854,706</u>

* Not subject to fair value measurements.

(b) Receivables

Receivables of the City as of June 30, 2017, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable:			
Property taxes	\$ 159,438	\$ -	\$ 159,438
Sales taxes	2,736,989	-	2,736,989
Water sales	-	1,804,538	1,804,538
Sewer sales	-	246,436	246,436
Refuse sales	-	716,615	716,615
Franchise fees	520,781	-	520,781
Leases	-	110,295	110,295
Others	693,353	6,238	699,591
Total accounts receivable	<u>4,110,561</u>	<u>2,884,122</u>	<u>6,994,683</u>
Less allowance for uncollectible accounts	<u>-</u>	<u>(53,898)</u>	<u>(53,898)</u>
Total receivables	<u>\$ 4,110,561</u>	<u>\$ 2,830,224</u>	<u>\$ 6,940,785</u>

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

(c) Interfund Receivables, Payables and Transfers

Due To and Due From

The composition of interfund balances as of June 30, 2017 is as follows:

Due To	Due From			Totals	Due from
	Child Development Special Revenue Fund	Nonmajor Governmental Funds	Internal Service Funds		Successor Agency
					General Fund
General Fund	\$ 186,872	\$ 862,050	\$ 36,987	\$ 1,085,909	\$ 39,653
Totals	<u>\$ 186,872</u>	<u>\$ 862,050</u>	<u>\$ 36,987</u>	<u>\$ 1,085,909</u>	<u>\$ 39,653</u>

The interfund receivables and payables balances represent routine and temporary cash flow assistance.

Advances To and Advances From

The composition of interfund advances as of June 30, 2017 is as follows:

Advances From	Advances To		
	General Fund	Nonmajor Enterprise Funds	Totals
Water Enterprise Fund	\$ 1,259,923	\$ -	\$ 1,259,923
Sewer Enterprise Fund	539,967	-	\$ 539,967
Housing Authority Enterprise Fund	\$ -	\$ 400,000	\$ 400,000
Internal Service Funds	8,025,000	-	8,025,000
Totals	<u>\$ 9,824,890</u>	<u>\$ 400,000</u>	<u>\$ 10,224,890</u>

- On November 1, 2015, Utility Authority (Water and Sewer Enterprise Funds) entered into a promissory note with the City in the amount of \$2,000,000, at a simple interest rate of 1.5%, for assistance in funding the construction of a new civic center. Outstanding principal and all accrued interest under this note shall be paid on November 1, 2020. At June 30, 2017, the outstanding balance of the advance was \$1,799,890. The total accrued interest included in the balance is \$49,890.
- On July 1, 2003, the Housing Authority entered into a promissory note with the La Habra Mobile Home Lease Enterprise Fund in the amount of \$2,000,000 for necessary capital improvements at the two City owned Mobile Home parks. The repayment should be made from

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

net rent and other revenues received by the Mobile Home Lease Enterprise Fund from its operation of the Mobile Home parks, as they become available. The current interest rate is 0%. At June 30, 2017, the outstanding balance of the advance was \$400,000.

- On September 15, 1998, the Civic Improvement Authority issued the Certificates of Participation Series B and C in an aggregate amount of \$6,705,000. The certificates are payable from lease payments made by the General Fund to the Authority. The outstanding balance at June 30, 2017 is \$2,425,000.
- On December 10, 2015, the Authority issued the Lease Financing in the amount of \$5,600,000. The debt service payments are payable from lease payments made by the General Fund to the Authority. The outstanding balance at June 30, 2017 is \$5,600,000.

Interfund loans consist of loans as follows:

Loans to Successor Agency Private-Purpose Trust Fund	Loans due to City of La Habra Successor Agency Private-Purpose Trust Fund
General Fund	\$ 9,352,905

- As of June 30, 1992, the former Redevelopment Agency had borrowed an aggregate amount of \$5,700,000 million from the General Fund. From that date through September 1998, the balance of the advances, excluding unpaid interest of \$1,319,247, from the City totaled \$6,705,000, representing \$5,640,000 from the Series B Tax-Exempt Certificates and \$1,065,000 from the Series C Tax Certificates. On September 15, 1998, a loan agreement was entered into between the City and the former Redevelopment Agency whereby the former Redevelopment Agency would repay these advances in annual principal installments of between \$160,000 and \$455,000, plus interest of between 4.0% and 6.5%, maturing in 2022. In addition, any installment of principal or interest which was not paid when due would continue to accrue interest at 6.5% per annum. In October 2000, the agreement was amended to account for the former Redevelopment Agency's available cash flow, whereby the amount of the annual payments will be contingent upon the amount of the former Redevelopment Agency's available cash flow (i.e. the former Redevelopment Agency's ability to make scheduled payments). Outstanding amounts as of January 31, 2012, the date the former Redevelopment Agency was dissolved in accordance with California Assembly Bill X1 26 (AB X1 26), were transferred to the Successor Agency. At June 30, 2017, the outstanding balance of the advance was \$7,201,930. The total accrued interest included in the balance is \$2,499,628. See Note (3)(d) for further details regarding this loan.
- In August 2007, the General Fund advanced the former Redevelopment Agency \$2,000,000, at an interest rate of 9%, towards the purchase of a building and land. Outstanding amounts as of January 31, 2012, the date the former Redevelopment Agency was dissolved in accordance with AB X1 26, were transferred to the Successor Agency. In addition, the interest on the remaining principal amount of the loan was recalculated from origination of the loan at a simple interest rate of 3% in accordance with SB 107. At June 30, 2017, the outstanding

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

balance of the advance was \$2,150,975. The total accrued interest included in the balance was \$583,602.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2017, is as follows:

Transfers Out	Transfers In					Total
	Other Capital Projects Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ 2,472,876	\$ 81,630	\$ -	\$ -	\$ 520,000	\$ 3,074,506
Other Capital Projects Fund	-	67,014	-	-	-	67,014
Nonmajor Governmental Funds	2,584,237	705,517	-	-	-	3,289,754
Water Enterprise Fund	-	145,000	-	71,250	-	216,250
Sewer Enterprise Fund	-	-	66,386	16,250	-	82,636
Refuse Enterprise Fund	-	-	144,746	5,000	-	149,746
Internal Service Funds	-	-	-	-	-	-
	<u>\$ 5,057,113</u>	<u>\$ 999,161</u>	<u>\$ 211,132</u>	<u>\$ 92,500</u>	<u>\$ 520,000</u>	<u>\$ 6,879,906</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and, 2) move receipts collected in debt service to other funds after debt service requirements have been met.

(d) Loans Receivable

The City has entered into multiple owner-occupied rehabilitation loans utilizing HOME Investment Partnerships Program, which are reflected in the Housing and Community Development Special Revenue Fund. These loans were for the purpose of assisting owners in the rehabilitation of the owner-occupied residences. The loans have 30-year term with 0% interest. In the governmental funds financial statements, due to the extended period of time over which loans receivable are to be collected and the contingent nature of certain sources of repayment, the City has recorded deferred inflows of resources equal to the outstanding principal of the loans receivable. At June 30, 2017, the outstanding balance of the loans receivable was \$624,436.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

(e) Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance at July 1, 2016	Adjustments	Increases	Decreases	Balance at June 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 8,755,305	\$ -	\$ 3,711,708	\$ -	\$ 12,467,013
Construction in progress	11,326,164	-	1,460,188	11,326,164	1,460,188
Total capital assets not being depreciated	20,081,469	-	5,171,896	11,326,164	13,927,201
Capital assets being depreciated:					
Land improvements	6,968,404	318,497	386,955	-	7,673,856
Buildings and improvements	20,197,392	(26,111)	16,741,558	-	36,912,839
Improvements other than buildings	1,133,296	-	-	-	1,133,296
Machinery and equipment	8,538,591	(285,747)	659,557	68,710	8,843,691
Autos and trucks	4,747,863	-	523,779	-	5,271,642
Infrastructure	94,066,219	(6,639)	2,512,034	-	96,571,614
Total capital assets being depreciated	135,651,765	-	20,823,883	68,710	156,406,938
Less accumulated depreciation for:					
Land improvements	2,828,966	-	291,993	-	3,120,959
Buildings and improvements	8,880,112	-	374,921	-	9,255,033
Improvements other than buildings	933,293	110,000	10,000	-	1,053,293
Machinery and equipment	4,811,975	(113,799)	643,300	68,710	5,272,766
Autos and trucks	3,536,874	-	318,339	-	3,855,213
Infrastructure	38,355,504	3,799	2,462,615	-	40,821,918
Total accumulated depreciation	59,346,724	-	4,101,168	68,710	63,379,182
Total capital assets being depreciated, net	76,305,041	-	16,722,715	-	93,027,756
Governmental activities capital assets, net	\$ 96,386,510	\$ -	\$ 21,894,611	\$ 11,326,164	\$ 106,954,957

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental activities:	
General government	\$ 119,906
Public safety	869,501
Public works	2,940,413
Community services	162,780
Community development	8,568
Total depreciation expense, Governmental Activities	<u>\$ 4,101,168</u>

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

	<u>Balance at July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2017</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,800,000	\$ -	\$ -	\$ 12,800,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>12,800,000</u>	<u>-</u>	<u>-</u>	<u>12,800,000</u>
Capital assets being depreciated:				
Buildings and improvements	4,251,106	-	-	4,251,106
Improvements other than buildings	253,490	-	-	253,490
Machinery and equipment	1,781,223	100,096	-	1,881,319
Autos and trucks	230,465	-	-	230,465
Infrastructure	66,472,586	1,408,644	-	67,881,230
Total capital assets being depreciated	<u>72,988,870</u>	<u>1,508,740</u>	<u>-</u>	<u>74,497,610</u>
Less accumulated depreciation for:				
Buildings and improvements	4,019,431	21,867	-	4,041,298
Improvements other than buildings	247,245	208	-	247,453
Machinery and equipment	775,356	104,236	-	879,592
Autos and trucks	199,733	15,364	-	215,097
Infrastructure	24,555,263	1,452,547	-	26,007,810
Total accumulated depreciation	<u>29,797,028</u>	<u>1,594,222</u>	<u>-</u>	<u>31,391,250</u>
Total capital assets being depreciated, net	<u>43,191,842</u>	<u>(85,482)</u>	<u>-</u>	<u>43,106,360</u>
Business-type activities capital assets, net	<u>\$ 55,991,842</u>	<u>\$ (85,482)</u>	<u>\$ -</u>	<u>\$ 55,906,360</u>

Depreciation expense was charged to functions of the business-type activities as follows:

Business-type activities:	
Water	\$ 1,179,534
Sewer	231,149
Refuse	12,748
Children's Museum	29,860
Mobile Home Lease	<u>140,931</u>
Total depreciation expense, Business-type Activities	<u>\$ 1,594,222</u>

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

	<u>Balance at July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2017</u>
Private-Purpose Trust Activities:				
Capital assets not being depreciated:				
Land	\$ 1,058,500	\$ -	\$ 1,058,500	\$ -
Total capital assets not being depreciated	1,058,500	-	1,058,500	-
Capital assets being depreciated:				
Buildings and improvements	385,790	-	385,790	-
Total capital assets being depreciated	385,790	-	385,790	-
Less accumulated depreciation for:				
Buildings and improvements	43,230	2,447	45,677	-
Total accumulated depreciation	43,230	2,447	45,677	-
Total capital assets being depreciated, net	342,560	(2,447)	340,113	-
Private-Purpose Trust Activities capital assets, net	<u>\$ 1,401,060</u>	<u>\$ (2,447)</u>	<u>\$ 1,398,613</u>	<u>\$ -</u>

(f) Water Rights Stock

The Utility Authority currently imports approximately 60% of its water from two major suppliers: California Domestic Water Company (Cal Domestic) and the Metropolitan Water District (MWD). Since October 2008, the Utility Authority has been purchasing shares of water rights stock from Cal Domestic to secure the purchase of water at a discounted rate known as an "entitlement" rate each year from the Main San Gabriel Basin. The Utility Authority owns two classes of stock: Capital Stock and Class A Preferred Stock. Currently, a share of Capital Stock represents the right to purchase approximately 1.55 acre feet (AF) of water and a share of Class A Preferred Stock represents the right to purchase 0.76 AF of water. At June 30, 2017, the Utility Authority owned 2,346.25 shares of Capital Stock and 912.85 shares of Class A Preferred Stock. The Utility Authority has valued its water rights stock at approximately \$16.0 million, which represents cost and does not intend to sell its interest in Cal Domestic.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

(g) Long-Term Liabilities

The following is a summary of the changes in the long-term liabilities for the year ended June 30, 2017:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Due within One Year
Governmental activities:					
Energy loan agreement	\$ 249,642	\$ -	\$ 96,938	\$ 152,704	\$ 100,805
Energy capital lease agreement	478,757	-	122,689	356,068	133,794
Note Payable (Lowell Joint School District)	230,552	-	58,958	171,594	61,820
Compensated absences *	4,650,096	2,729,673	2,469,372	4,910,397	1,473,119
Internal service funds included in governmental activities:					
2015 Lease Financing	5,600,000	-	-	5,600,000	575,000
1998 Certificates of Participation, Series B	2,290,000	-	285,000	2,005,000	295,000
1998 Certificates of Participation, Series C	475,000	-	55,000	420,000	60,000
Less unamortized discount	(13,949)	-	(2,260)	(11,689)	-
Total long-term debt of governmental activities	<u>\$ 13,960,098</u>	<u>\$ 2,729,673</u>	<u>\$ 3,085,697</u>	<u>\$ 13,604,074</u>	<u>\$ 2,699,538</u>
Business-type activities:					
Compensated absences	\$ 207,656	\$ 150,157	\$ 123,530	\$ 234,283	\$ 70,284
2010 Refunding Certificates of Participation, Series A	14,435,000	-	315,000	14,120,000	325,000
2010 Revenue Bonds, Series A&B	18,245,000	-	315,000	17,930,000	330,000
2013 Revenue Bonds, Series A	19,330,000	-	455,000	18,875,000	465,000
	52,217,656	150,157	1,208,530	51,159,283	1,190,284
Add unamortized premium	1,206,502	-	45,455	1,161,047	-
Less unamortized discount	(228,169)	-	(9,441)	(218,728)	-
Total long-term debt of business-type activities	<u>\$ 53,195,989</u>	<u>\$ 150,157</u>	<u>\$ 1,244,544</u>	<u>\$ 52,101,602</u>	<u>\$ 1,190,284</u>
Private-purpose trust activities:					
1999 Refunding Special Tax Bonds	\$ 955,000	-	220,000	735,000	230,000
2000 Tax Allocation Bonds	5,580,000	-	5,580,000	-	-
2016 Refunding Tax Allocation Bonds	-	4,715,000	-	4,715,000	285,000
Add unamortized premium	-	156,929	4,904	152,025	-
Note Payable (Howard's Appliances)	592,965	-	592,965	-	-
Total long-term debt of private-purpose trust activities	<u>\$ 7,127,965</u>	<u>\$ 4,871,929</u>	<u>\$ 6,397,869</u>	<u>\$ 5,602,025</u>	<u>\$ 515,000</u>

* The portion of compensated absences due within one year in governmental activities is reported in the Internal Service Employee Benefit fund. All compensated absences are expended out of each respective funds that the payroll time was allocated to during that payroll period. For governmental fund types, the amount of accumulated unpaid vacation and sick leave, which is payable from available resources is recorded as a liability and is liquidated in the respective fund.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

1. Governmental Activities

Energy Loan Agreement and Energy Capital Lease Agreement

During the fiscal year ended June 30, 2003, Chevron Energy Solutions Company (Chevron) conducted a study of the City's energy use. Based on that study, in March 2004 the City and Chevron Energy Solutions Company entered into a service contract whereby Chevron would construct and install approximately \$2.3 million of energy saving solutions for the City. These solutions include lighting, motors, tiller systems, air conditioners, controllers, and control systems in both City buildings and on other City property (i.e. parks and streets).

To pay for these solutions, the City entered into a \$1,080,000 loan agreement and a separate \$1,273,390 capital lease agreement for the acquisition of buildings and improvements. The loan agreement is due in 27 semiannual installments of \$52,927, payments beginning on December 22, 2005. The capital lease agreement calls for 62 quarterly payments ranging from \$22,581 to \$38,999, ending on November 11, 2019. The City remitted a total of \$105,854 and \$142,212 for principal and interest on the loan and capital lease, respectively, during the year ended June 30, 2017. The debt service schedules of the loan and lease are as follows:

Fiscal Year Ending June 30	Energy Loan		Energy Capital Lease	
	Principal	Interest	Principal	Interest
2018	\$ 100,805	\$ 5,049	\$ 133,794	\$ 13,817
2019	51,899	1,028	145,573	7,600
2020	-	-	76,701	1,297
Totals	\$ 152,704	\$ 6,077	\$ 356,068	\$ 22,714

Notes Payable

The City has a note payable to the Lowell Joint School District that bears interest at 4.75% per annum and is secured by a deed of trust. The note payable calls for monthly payments of \$5,720, including interest, and expires in February 2020. The source of repayment is the General Fund. The outstanding balance at June 30, 2017 was \$171,595. The debt service payments of the notes are as follows:

Fiscal Year Ending June 30	Notes Payable	
	Principal	Interest
2018	\$ 61,820	\$ 6,816
2019	64,821	3,815
2020	44,953	804
Totals	\$ 171,594	\$ 11,435

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

1998 Certificates of Participation, Series B and C

On September 15, 1998, the Civic Improvement Authority issued Certificates of Participation, Series B and C (Refunding Certificates) in an aggregate amount of \$6,705,000 with variable and fixed interest rates ranging from 4% to 6.5% to advance refund \$5,105,000 of outstanding 1992 Tax Allocation Revenue Bonds (Refunding Bonds), with interest rates ranging from 4.75% to 7.6%. The certificates mature in various annual amounts through September 1, 2022, and are payable from lease payments made by the City to the Authority as defined in the lease agreement. Lease payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the properties during each such period. Pledged lease payment received during the year ended June 30, 2017, was \$471,794 and was used against the total debt service payments of \$471,794. The outstanding balance at June 30, 2017 was \$2,425,000. The debt service schedules of the Certificates of Participation are as follows:

Fiscal Year Ending June 30	COPs Series B		COPs Series C	
	Principal	Interest	Principal	Interest
2018	\$ 295,000	\$ 88,931	\$ 60,000	\$ 25,350
2019	310,000	74,563	65,000	21,288
2020	325,000	59,400	70,000	16,900
2021	340,000	43,440	70,000	12,350
2022	360,000	26,640	75,000	7,638
2023	375,000	9,000	80,000	2,600
Subtotal	2,005,000	301,974	420,000	86,126
Unamortized discount	(9,834)	9,834	(1,855)	1,855
Total	<u>\$ 1,995,166</u>	<u>\$ 311,808</u>	<u>\$ 418,145</u>	<u>\$ 87,981</u>

2015 Lease Financing

On December 10, 2015, the Civic Improvement Authority issued a \$5,600,000 10-year term Lease Financing with Bank of the West in connection with the renovation of a site and structures to replace the existing city hall. Principal is payable annually on each December 10, commencing December 10, 2017. Interest is payable semiannually on each June 10 and December 10, commencing June 10, 2016. Interest is payable at a variable rate equal to 70% of one, three or six month LIBOR rate plus 0.50% per annum as selected by the City. On and after December 10, 2017, the interest rate is equal to the prime rate. The outstanding balance at June 30, 2017 was \$5,600,000. The debt service schedules of the Lease Financing are as follows:

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>2015 Lease Financing</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 575,000	\$ 63,531
2019	585,000	56,595
2020	595,000	49,539
2021	610,000	42,334
2022	620,000	34,979
2023-2026	2,615,000	63,351
Subtotal	<u>\$ 5,600,000</u>	<u>\$ 310,329</u>

2. Business-Type Activities

2010 Refunding Certificates of Participation, Series A

On March 25, 2010, the Housing Authority issued Certificates of Participation, Series A (Certificates) in an aggregate amount of \$15,910,000 with interest rates ranging from 1.00% to 5.25% to provide funds to refund on a current basis the outstanding 1998 Refunding Certificates of Participation, Series A (1998 Certificates), with interest rates ranging from 4% to 4.8%. The Certificates mature in varying annual amounts through September 1, 2040. Lease payments are to be paid by the city in each rental period for and in consideration of the right to use and occupy the properties during each such period. The outstanding balance at June 30, 2017 was \$14,120,000. The debt service schedules of the Certificates of Participation are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>2010 COPs Series A</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 325,000	\$ 697,272
2019	340,000	685,413
2020	350,000	672,038
2021	365,000	657,281
2022	380,000	641,213
2023-2027	2,205,000	2,917,555
2028-2032	2,815,000	2,299,350
2033-2037	3,650,000	1,467,900
2038-2041	<u>3,690,000</u>	<u>400,050</u>
Subtotal	14,120,000	10,438,072
Unamortized discount	<u>(218,728)</u>	<u>218,728</u>
Total	<u>\$ 13,901,272</u>	<u>\$ 10,656,800</u>

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

2010 Water Revenue Bonds, Series A and Series B

On December 1, 2010, the Utility Authority issued Water Revenue Bonds, Series A and B in an aggregate amount of \$19,675,000 with interest rates ranging from 2.00% to 7.55% to finance future capital improvements. The bonds mature in various annual amounts through November 2040 and are secured by a pledge of net income and revenues reported in the Water Enterprise Fund. Net revenue recognized during the year ended June 30, 2017, was \$4,538,014 against the total debt service payment of \$1,544,292. Principal is payable annually on each November 1, commencing November 1, 2011. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2011. The outstanding balance at June 30, 2017 was \$17,930,000.

2013 Water Revenue Bonds, Series A

On October 22, 2013, the Utility Authority issued \$20,210,000 of Water Revenue Bonds, Series 2013A and used the proceeds to 1) pay off the outstanding balance of the line of credit of \$11,931,781, 2) refund the Series 2003 Bonds (except the 2003 Bonds maturing on November 1, 2013 in the amount of \$180,000) in the amount of \$5,895,000, 3) finance additional improvements to the water system and, 4) pay the costs of issuance in connection with the issuance and sale of the Series 2013 Bonds. The bonds mature in various annual amounts through November 2043 and are secured by a pledge of net income and revenues reported in the Water Enterprise Fund. Net revenue recognized during the year ended June 30, 2016 was \$4,538,014 against the total debt service payment of \$1,339,825. Principal is payable annually on each November 1, commencing November 1, 2014. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2014 with interest rates ranging from 2.00% to 5.00%. The outstanding balance at June 30, 2017 was \$18,875,000.

The debt service schedules of the Water Revenue Bonds are as follows:

Fiscal Year Ending June 30	2010 Water Revenue Bonds		2013 Water Revenue Bonds	
	Principal	Interest*	Principal	Interest
2018	\$ 330,000	\$ 1,217,180	\$ 465,000	\$ 868,700
2019	340,000	1,203,780	490,000	849,600
2020	355,000	1,189,880	505,000	832,225
2021	370,000	1,175,380	525,000	811,525
2022	390,000	1,159,205	550,000	784,650
2023-2027	2,230,000	5,505,587	3,225,000	3,467,375
2028-2032	2,835,000	4,731,719	4,075,000	2,593,569
2033-2037	5,110,000	3,361,840	3,680,000	1,699,488
2038-2042	5,970,000	929,397	3,640,000	871,163
2043-2044	-	-	1,720,000	83,475
Subtotal	17,930,000	20,473,968	18,875,000	12,861,770
Unamortized premium	210,889	(210,889)	950,158	(950,158)
Total	<u>\$ 18,140,889</u>	<u>\$ 20,263,079</u>	<u>\$ 19,825,158</u>	<u>\$ 11,911,612</u>

* Interest is before the Federal subsidy for the 2010 Water Revenue Bonds, Series B. The total expected subsidy is \$6,370,874 through 2041.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

3. Private-Purpose Trust Activities

1999 Refunding Special Tax Bonds

On July 1, 1999, the Community Facilities District of the Agency issued 1999 Special Tax Bonds (Refunding Bonds) in the amount of \$3,185,000 at interest rates ranging from 4.25% to 6% to advance refund \$3,250,000 of outstanding 1990 Special Tax Bonds (Refunded Bonds) with interest rates ranging from 7% to 7.75%. The bonds are secured primarily by a pledge of all special tax revenues levied on taxable real property with the District. Special tax revenues are defined as the special taxes levied by the former Redevelopment Agency within the District. In addition, the former Redevelopment Agency has committed, through an Owner Participation Agreement, to subsidize the special taxes payable on the Refunding Bonds with incremental property taxes. These revenues have been pledged until the year 2019, the final maturity date of the bonds. The total principal and interest remaining on the bonds is \$802,950. Special tax revenue recognized during the year ended June 30, 2017 was \$287,522 as against the total debt service payments of \$270,700. The outstanding balance at June 30, 2017 was \$735,000. The debt service schedules of the Special Tax Bonds are as follows:

Fiscal Year	1999 Special Tax Bonds	
Ending June 30	Principal	Interest
2018	\$ 230,000	\$ 37,200
2019	245,000	22,950
2020	260,000	7,800
Totals	<u>\$ 735,000</u>	<u>\$ 67,950</u>

2016 Refunding Tax Allocation Bonds

On December 13, 2016, the Successor Agency issued \$4,715,000 of Tax Allocation Bonds, Series 2016 and used the proceeds to 1) refund the 2000 Tax Allocation Bonds, 2) fund a debt service reserve fund for the bonds, and 3) pay the costs of issuing the bonds. As a result, the refunded 2000 Tax Allocation Bonds are considered to be defeased and the liability has been removed from the Private-Purpose Trust Fund. This current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$899,073 and decreased total debt service payments over the next 16 years by \$989,079. The bonds mature in various annual amounts through October 2032 and are secured by a pledge of tax revenue deposited into the Redevelopment Property Tax Trust Fund. Tax revenue recognized during the year ended June 30, 2017 was \$3,184,666 against the total debt service payment of \$48,293. Principal is payable annually on each October, commencing October 1, 2017. Interest is payable semiannually on each April 1 and October 1, commencing April 1, 2017 with interest rates ranging from 2.00% to 5.00%. The outstanding balance at June 30, 2017 was \$4,715,000. The debt service schedules of the Tax Allocation Bonds are as follows:

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>2016 Tax Allocation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 285,000	\$ 172,763
2019	245,000	166,238
2020	250,000	157,563
2021	285,000	146,863
2022	290,000	135,363
2023-2027	1,500,000	480,363
2028-2032	1,525,000	201,875
2033	<u>335,000</u>	<u>6,281</u>
Subtotal	4,715,000	1,467,309
Unamortized premium	<u>152,025</u>	<u>(152,025)</u>
Total	<u>\$ 4,867,025</u>	<u>\$ 1,315,284</u>

Upon the dissolution of the former Redevelopment Agency on January 31, 2012, the outstanding balances of the former Redevelopment Agency's obligations were transferred to the Successor Agency. The future payments of these obligations are subject to the Recognized Obligation Payment Schedule (ROPS) review and approval process by the California Department of Finance (DOF).

(h) Fund Balances

Fund balances for all the major and nonmajor governmental funds as of June 30, 2017, were distributed as follows:

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

	General Fund	Child Development Special Revenue Fund	Other Capital Projects Fund	Other Nonmajor Funds	Total
Nonspendable:					
Prepaid items	\$ 41,715	\$ -	\$ -	\$ -	\$ 41,715
Loans to Successor Agency	6,269,674	-	-	-	6,269,674
Restricted for:					
Child development	-	19,736	-	-	19,736
Street and road improvement	-	-	-	10,546,593	10,546,593
Park and capital development	-	-	-	2,151,696	2,151,696
Air quality improvement	-	-	-	42,997	42,997
Law enforcement	-	-	-	1,077,979	1,077,979
Employment and training	-	-	-	31,826	31,826
Low-moderate income housing	-	-	-	662,680	662,680
Abandoned vehicles	-	-	-	184,774	184,774
Public, education & governmental	269,912	-	-	-	269,912
General plan update	-	-	-	172,176	172,176
Public Art	-	-	-	65,000	65,000
Assigned for:					
Capital projects	-	-	689,121	-	689,121
Unassigned					
	2,197,789	-	-	-	2,197,789
Total fund balances	\$ 8,779,090	\$ 19,736	\$ 689,121	\$ 14,935,721	\$ 24,423,668

(3) OTHER INFORMATION

(a) Pension Plan

1. Summary of Pension Related Items

The following table shows the aggregate total of pension related items.

	Miscellaneous Plan	Safety Plans	Total
Net pension liability	\$ 23,457,621	\$ 45,683,585	\$ 69,141,206
Deferred outflows of resources related to pension	6,564,792	9,326,317	15,891,109
Deferred inflows of resources related to pension	580,106	2,660,220	3,240,326
Pension expense	2,685,949	4,781,545	7,467,494

2. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in either (1) the City’s Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers, or (2) the City’s Safety Plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. They may be collectively referred to as the “Plans” or individually as a “Plan”. Benefit

CITY OF LA HABRA, CALIFORNIA
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provisions under the Plans are established by State statute and City's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan		
	Prior to 1/1/2012	Between 1/1/2012 and 12/31/2012	On or after 1/1/2013
Hire date			
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.00%	6.75%
Required employer contribution rates	16.072%	16.072%	6.076%
	Safety Plans		
	Prior to 1/1/2012	Between 1/1/2012 and 12/31/2012	On or after 1/1/2013
Hire date			
Benefit formula	3.0% @ 50	2.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	12.25%
Required employer contribution rates:			
Normal cost rates	21.230%	16.312%	12.821%
Payment of unfunded liability	1,995,785	-	1,171

Employees Covered – At June 30, 2015 (valuation date), the following employees were covered by the benefit terms for each Plan:

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Notes to Financial Statements (Continued)
June 30, 2017

	Misc Plan	Safety Plans
Inactive employees or beneficiaries currently receiving benefits	268	178
Inactive employees entitled to but not yet receiving benefits	387	75
Active employees	258	67
Total	913	320

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

For the measurement period ended June 30, 2016, the contributions to Miscellaneous and Safety Plans were as follows:

Plan	Employer Contributions
Miscellaneous	\$ 1,923,056
Safety	2,802,079
Safety Tier II	46,337
Safety PEPRA	102,044
Total	\$ 4,873,516

3. Net Pension Liability and Changes in Net Pension Liability

The net pension liability of each of the Plans is measured as of June 30, 2016, using the actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures.

Miscellaneous Plan - The City’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position and is determined on the same basis as that used by the plan.

The following table shows the changes in the Net Pension Liability for the Miscellaneous Plan:

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Notes to Financial Statements (Continued)
June 30, 2017

<u>Reporting Period</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability/(Asset)</u> <u>(c) = (a) - (b)</u>
Balance at June 30, 2016	\$ 94,422,627	\$ 77,008,961	\$ 17,413,666
Changes in the year:			
Service cost	1,962,288	-	1,962,288
Interest on the total pension liability	7,156,766	-	7,156,766
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	103,775	-	103,775
Plan to plan resource movement	-	-	-
Contribution - employer	-	1,922,842	(1,922,842)
Contribution - employees	-	914,124	(914,124)
Net Investment income	-	388,841	(388,841)
Benefit payments, including refunds of employee contributions	(3,910,126)	(3,910,126)	-
Administrative expense	-	(46,933)	46,933
Net changes	<u>5,312,703</u>	<u>(731,252)</u>	<u>6,043,955</u>
Balance at June 30, 2017	<u>\$ 99,735,330</u>	<u>\$ 76,277,709</u>	<u>\$ 23,457,621</u>

Safety Plans – As of June 30, 2017, the City reported net pension liabilities of \$45,683,585 for proportionate shares of the net pension liability of Safety Plans. The City’s net pension liability for the Safety Plans is measured as the proportionate share of the net pension liability. 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.

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Notes to Financial Statements (Continued)
June 30, 2017

The City's proportionate shares of the net pension liability for Safety Plans as of measurement period ended June 30, 2015 and 2016 were as follows:

<u>Measurement Date</u>	<u>Safety Plans</u>	
	<u>Amount</u>	<u>%</u>
Proportion - June 30, 2015	\$ 36,959,834	0.89699%
Proportion - June 30, 2016	45,683,585	0.88206%
Change - Increase (Decrease)	\$ 8,723,751	-0.01493%

Actuarial Assumptions – For the measurement period ended June 30, 2016 (the measurement date), the pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	6/30/2015
Measurement Date	6/30/2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) 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.

All other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions – There were no changes of assumptions during the measurement period July 1, 2015 to June 30, 2016.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expect 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 each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Current Target Allocation	Real Return Years 1- 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Subsequent Events – In December 2016, CalPERS’ Board of Directors voted to lower the discount rate used in its actuarial valuation from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers’ normal costs and unfunded actuarial liabilities. For the GASB State 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer’s total pension liabilities.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of each Plan, calculated using the discount rate for each Plan, as well as

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Notes to Financial Statements (Continued)
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what the 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>Plan</u>	Discount Rate -	Current	Discount Rate
	1% (6.65%)	Discount Rate	Discount Rate
	(7.65%)	+ 1% (8.65%)	
Miscellaneous	\$ 37,497,521	\$ 23,457,621	\$ 11,960,634
Safety Plans	65,538,695	45,683,585	29,384,575

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

4. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expenses of \$2,685,949 and \$4,781,545 for Miscellaneous Plan and Safety Plans, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,137,228	\$ -
Differences between expected and actual experience	296,703	-
Changes in assumptions	-	580,106
Net difference between projected and actual earnings on pension plan investments	4,130,861	-
Total	<u>\$ 6,564,792</u>	<u>\$ 580,106</u>
	Safety Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,296,710	\$ -
Differences between expected and actual experience	-	232,466
Changes in assumptions	-	1,013,570
Net difference between actual contributions paid by the employer and proportionate share of contributions	-	1,261,072
Net difference between projected and actual earnings on pension plan investments	4,979,622	-
Adjustment due to differences in proportions	1,049,985	153,112
Total	<u>\$ 9,326,317</u>	<u>\$ 2,660,220</u>

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The City reported \$2,137,228 and \$3,296,710 for Miscellaneous Plan and Safety Plans, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date which, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	Misc Plan Deferred Outflows/ (Inflows) of Resources	Safety Plan Deferred Outflows/ (Inflows) of Resources
2018	\$ 253,384	\$ (294,847)
2019	605,970	(38,596)
2020	1,901,970	2,406,489
2021	1,086,134	1,296,341
Total	<u>\$ 3,847,458</u>	<u>\$ 3,369,387</u>

5. Payable to the Pension Plan

At June 30, 2017, the City reported payables of \$237,149 and \$146,729 for the outstanding amount of contributions to the pension Miscellaneous Plan and Safety Plans, respective, required for the year ended June 30, 2017.

(b) Postemployment Benefits

Plan Description

The City of La Habra Retiree Healthcare Plan (Plan) is a single-employer defined benefit postemployment healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing City employees.

The City provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA) administered by the CalPERS. The City contributes the PEMHCA minimum for eligible retirees and surviving spouses. The City additionally contributes \$200 monthly to two eligible Fire Union retirees until age 65. The City also provides full medical coverage for life under a special agreement to one annuitant and dependents. No dental, vision, or life insurance benefits are provided. As of June 30, 2016, the date of the most recent actuarial valuation available, plan membership consisted of 309 active participants and 202 retirees and beneficiaries, 72 of who are currently receiving benefits. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

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Funding Policy

There is no statutory requirement for the City to prefund its OPEB obligation. The City has currently chosen to fully fund the Annual Required Contribution (ARC). There are no employee contributions. The ARC is 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 the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The benefit payment of \$279,000 for fiscal year 2016-17 comprised of \$135,000 cash payment for retiree healthcare plan benefits and \$144,000 implied subsidy. Implied subsidy is the value of benefits retirees receive in excess of the premium paid, due to blending with active employees. In addition, during the fiscal year ended June 30, 2017, the City also made an annual contribution of \$443,000 to the irrevocable trust with the California Employers' Retiree Benefit Trust Program (CERBT) to prefund the OPEB Trust Fund.

Annual OPEB Cost and Net OPEB Obligation

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:

Annual required contribution	\$	716,000
Interest on net OPEB obligation		156,000
Adjustment to annual required contribution		<u>(209,000)</u>
Annual OPEB cost (expense)		663,000
Contributions (benefit payments)		(279,000)
OPEB Trust Pre-Funding		<u>(443,000)</u>
Decrease in net OPEB obligation		(59,000)
Net OPEB obligation - beginning of year		2,314,000
Net OPEB obligation - end of year		<u><u>\$ 2,255,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015 through 2017 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2017	\$ 663,000	108.9%	\$2,255,000
6/30/2016	755,000	169.9%	2,314,000
6/30/2015	952,000	29.8%	2,842,000

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the plan's most recent actuarial valuation date was as follows:

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Notes to Financial Statements (Continued)
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Actuarial accrued liability (AAL)	\$	6,528,000
Actuarial value of plan assets		(990,000)
Unfunded actuarial accrued liability (UAAL)		5,538,000
Fund ratio (actuarial value of plan assets/AAL)		15.2%
Covered payroll (active Plan members)		19,624,000
UAAL as a percentage of covered payroll		28.2%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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 benefits.

Actuarial Methods and Assumption

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

In the June 30, 2016, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.75% investment rate of return (net of administrative expenses), which is the expected long-term investment return on City investments, an annual healthcare cost trend rate of 7.5% and 6.5% initially for Non-Medicare and Medicare, respectively. They are reduced by decrements to an ultimate rate of 6.5% and 5.7% after 5 years, and an annual PEMHCA minimum increase rate of 4.25% after 2018. The UAAL is being amortized as a level percentage of projected payroll over a 30 year fixed (closed) period with 22 years remaining, as of June 30, 2016.

(c) Commitments and Contingencies

1. Self-Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City established a self-insurance program, the Risk Management Fund, to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$750,000 for each miscellaneous claim, \$1,000,000 for each safety workers' compensation claim, and \$300,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims have

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not exceeded this commercial coverage in any of the past three years. All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of amounts needed to pay claims.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year end. The accruals are in the amounts of \$4,002,295 and \$659,035 for the workers' compensation claims and general liability claims, respectively, and are reported as accrued liabilities on the Statement of Net Position in the Risk Management Internal Services Fund.

A reconciliation of changes in aggregate liabilities for claims for the current fiscal year and the prior fiscal year is as follows:

	Workers'	General
	Compensation	Liability
Amounts of accrued claims at June 30, 2015	2,209,563	702,966
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	2,269,071	405,748
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	(559,495)	(507,588)
Amounts of accrued claims at June 30, 2016	3,919,139	601,126
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	656,943	118,603
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	(573,787)	(60,694)
Amounts of accrued claims at June 30, 2017	\$ 4,002,295	\$ 659,035
Due within one year	\$ 853,564	\$ 292,982
Due in more than one year	3,148,731	366,053
	\$ 4,002,295	\$ 659,035

2. Litigation

There are several lawsuits pending against the City. According to the City's legal counsel, the outcome and eventual liability of the City, if any, in these cases is not known at this time. Management estimates that the potential claims against the City not covered by insurance or self-insurance reserves resulting from such litigation would not materially affect the financial statements of the City.

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

3. *Owner Participation Agreements*

The former Redevelopment Agency entered into several Owner Participation Agreements with various business owners within the City. Generally, these agreements required that the former Agency remit to these businesses a portion of the sales tax revenue generated by their operations. However, one agreement required the former Agency to remit a percentage of the incremental property tax revenue earned by the former Agency due to the increase in the assessed value of the business property in addition to a percentage of the sales tax revenue generated by their operations. Most of the agreements provide for limits of the amount of tax that can be remitted back to the business owner.

On February 1, 2012, the Successor Agency assumed all responsibilities under the agreement. Future payments towards the purchase, if any, are requested through the semi-annual Redevelopment Property Tax Trust Fund (RPTTF) distribution process. As of June 30, 2017 there was one Owner Participation Agreement outstanding with 3 years remaining. The Successor Agency remitted \$396,875 during the year ended June 30, 2017.

4. *Contractual Commitments*

The City was involved in contractual agreements for construction in progress. As of June 30, 2017, the remaining estimated costs for the contractual agreements are approximately \$2,252,810.

5. *Pollution Remediation Obligation*

The City was named as a responsible party in the environmental remediation of a City-owned park. The property had been previously used as a refuse disposal site operated by the County of Orange, California (County), between 1949 and 1958. Prior to 1949, the park site was a burn dump operated by the City. As a result of these prior refuse disposal activities, several regulatory agencies have issued notices, orders and/or directives requiring the City to monitor methane gas emissions. In response to the regulatory agencies, the City has installed a methane monitoring system. The City estimates the cost to fully remediate the property to be \$2,800,000, which includes the preliminary design and construction of a permanent landfill "cap."

The City anticipates spending approximately \$70,000 annually for an indeterminable period of time for environmental mitigation and monitoring obligations. Environmental monitoring costs relating to legal mandates such as regulatory agency orders, court orders or other affirmative legal obligations are included in the anticipated spending.

Measurement and Assumptions

The City measured the environmental liabilities for pollution remediation site using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as preliminary engineering and construction instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained City staff. Changes to estimates

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

will be made when new information becomes available and/or benchmarks in the estimated outlay change, such as the following:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and postremediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

Recoveries

The City Council approved a settlement agreement with the County of Orange (County) on November 21, 2005, related to the remediation of the property. Under the terms of the settlement agreement, dated November 30, 2005, the County has paid \$4,995,000 for the full cost of remediation and to provide funding for future ongoing maintenance costs. The settlement relieves the County of any further remediation obligation related to the methane gas emissions and obligates the City as the responsible party to respond to current and future orders, notices and directives from regulatory agencies. As of June 30, 2017, the City has expensed \$1,613,598 related to monitoring activities. \$2,800,000 of the remaining cash balance is off-set by a pollution remediation liability and \$581,402 is restricted for future annual monitoring expenses that will be incurred.

(d) Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 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 Habra (City) that previously had reported a Redevelopment Agency 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 12, 2012, the City Council elected to become the Successor Agency to the La Habra Redevelopment Agency (Successor Agency) in accordance with the Bill as part of the City resolution number 5508.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. 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).

In future fiscal years, 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

CITY OF LA HABRA, CALIFORNIA
Notes to Financial Statements (Continued)
June 30, 2017

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.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agreement are reported in a fiduciary fund (private purpose trust fund) in the financial statements of the City.

(e) Special Item

In the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balances, the City reported a special item of \$6,416,232 related to traffic impact fees. In the fiscal year ended June 30, 2017, the City performed a review of traffic impact fees collected from developers and determined that these fees were no longer refundable to developers due to the deadline to claim those deposits had lapsed. Therefore, these deposits should be considered as revenue to the City. Since this item is a significant item and infrequent in occurrence, it is reported as a special item.

(4) SUBSEQUENT EVENTS

In August 2017, the City sold the old City Hall located at 201 E. La Habra Blvd. to City Ventures Homebuilding, LLC and paid off the entire outstanding 2016 Lease Financing of \$5,600,000.

In January 2018, the City executed an Equipment Lease-Purchase Agreement with Motorola Solutions, Inc. for the amount of \$1,430,097 to acquire/upgrade radios and communication systems for the police department.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 29, 2018, the date these financial statements were available to be issued.

CITY OF LA HABRA, CALIFORNIA
Postemployment Healthcare Plan
Schedule of Funding Progress
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability [(b)-(a)]	Funded Ratio [(a)/(b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(b)-(a)]/(c)}
June 30, 2010	\$ -	\$ 5,083,000	\$ 5,083,000	0.0%	\$ 15,908,000	32.0%
June 30, 2012	\$ -	\$ 5,879,000	\$ 5,879,000	0.0%	\$ 16,525,000	35.6%
June 30, 2014	\$ -	\$ 9,350,000	\$ 9,350,000	0.0%	\$ 20,885,000	44.8%
June 30, 2016	\$ 990,000	\$ 6,528,000	\$ 5,538,000	15.2%	\$ 19,624,000	28.2%

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA, CALIFORNIA
Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
As of June 30, 2017
Last 10 Years*

Measurement Period	FY 2015-16	FY 2014-15	FY 2013-14
Total Pension Liability			
Service cost	\$ 1,962,288	\$ 1,868,111	\$ 1,961,553
Interest on the total pension liability	7,156,766	6,783,896	6,385,852
Changes of benefit terms	-	-	-
Difference between actual and expected experience	103,775	682,560	-
Changes in assumptions	-	(1,740,320)	-
Benefit payments, including refunds of employee contributions	(3,910,126)	(3,947,397)	(3,471,077)
Net change in total pension liability	5,312,703	3,646,850	4,876,328
Total pension liability - beginning	94,422,627	90,775,777	85,899,449
Total pension liability - ending	<u>\$ 99,735,330</u>	<u>\$ 94,422,627</u>	<u>\$ 90,775,777</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,922,842	\$ 1,669,371	\$ 1,513,328
Contributions - employee	914,124	892,674	860,073
Net investment income	388,841	1,708,919	11,556,149
Benefit payments, including refunds of employee contributions	(3,910,126)	(3,947,397)	(3,471,077)
Plan to plan resource movement	-	130	-
Administrative expense	(46,933)	(86,653)	-
Net change in plan fiduciary net position	(731,252)	237,044	10,458,473
Plan fiduciary net position - beginning	77,008,961	76,771,917	66,313,444
Plan fiduciary net position - ending	<u>\$ 76,277,709</u>	<u>\$ 77,008,961</u>	<u>\$ 76,771,917</u>
Net pension liability - ending	<u>\$ 23,457,621</u>	<u>\$ 17,413,666</u>	<u>\$ 14,003,860</u>
Fiduciary net position as a percentage of the total pension liability	76.48%	81.56%	84.57%
Covered - employee payroll	\$ 13,577,030	\$ 12,416,819	\$ 12,471,730
Net pension liability as percentage of covered-employee payroll	172.77%	140.24%	112.28%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In measurement period of 2016, there were no changes. In 2015, amounts reported reflect an adjustment of discount from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Additional years will be presented as they become available.

CITY OF LA HABRA, CALIFORNIA
Agent Multiple-Employer Defined Benefit Miscellaneous Pension Plan
Schedule of Contribution
As of June 30, 2017
Last 10 Years*

	<u>FY 2016-17</u>	<u>FY 2015-16</u>	<u>FY 2014-15</u>
Actuarially determined contribution	\$ 2,137,228	\$ 1,922,842	\$ 1,669,371
Contributions in relation to the actuarially determined contributions	<u>(2,137,228)</u>	<u>(1,922,842)</u>	<u>(1,669,371)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,054,101	\$ 13,577,030	\$ 12,416,819
Contributions as a percentage of covered-employee payroll	14.20%	14.16%	13.44%

Notes to Schedule

Valuation date: 6/30/2014 6/30/2013 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method **
Amortization method/period	Level percent of payroll, closed **
Asset valuation method	Market value ***
Inflation	2.75% **
Salary increases	Varies by entry age and service **
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses: includes inflation. **
Post-Retirement Mortality	The post-retirement mortality rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries. **

* Additional years will be presented as they become available.

** The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 year smoothed market method. The market value asset valuation method was utilized for June 30, 2013 and 2014 (applicable to fiscal years ended June 30, 2016 and 2017, respective).

CITY OF LA HABRA, CALIFORNIA
Cost Sharing Defined Benefit Safety Pension Plans
Schedule of the City's Proportionate Share of the Net Pension Liability
As of June 30, 2017
Last 10 Years*

Measurement Period	<u>FY 2015-16</u>	<u>FY 2014-15</u>	<u>FY 2013-14</u>
Safety Plans			
Proportion of the net pension liability	0.52795%	0.53847%	0.5106100%
Proportionate share of the net pension liability	\$ 45,683,585	\$ 36,959,834	\$ 31,772,178
Covered - employee payroll	\$ 8,142,184	\$ 7,158,033	\$ 7,158,591
Proportionate share of the net pension liability as percentage of covered-employee payroll	561.07%	516.34%	443.83%
Proportionate share of the Fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	77.63%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In measurement period of 2016, there were no changes. In 2015, amounts reported reflect an adjustment of discount from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Additional years will be presented as they become available.

CITY OF LA HABRA, CALIFORNIA
Cost Sharing Defined Benefit Safety Pension Plans
Schedule of Contribution
As of June 30, 2017
Last 10 Years*

	<u>FY 2016-17</u>	<u>FY 2015-16</u>	<u>FY 2014-15</u>
Safety Plans			
Actuarially determined contribution	\$ 3,296,710	\$ 2,950,460	\$ 2,058,944
Contributions in relation to the actuarially determined contributions	<u>(3,296,710)</u>	<u>(2,950,460)</u>	<u>(2,058,944)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,702,118	\$ 8,142,184	\$ 7,158,033
Contributions as a percentage of covered-employee payroll	37.88%	36.24%	28.76%

Notes to Schedule

Valuation date: 6/30/2014 6/30/2013 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method **
Amortization method/period	Level percent of payroll, closed **
Asset valuation method	Market value ***
Inflation	2.75% **
Salary increases	Varies by entry age and service **
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses: includes inflation. **
Post-Retirement Mortality	The post-retirement mortality rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries. **

* Additional years will be presented as they become available.

** The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 year smoothed market method. The market value asset valuation method was utilized for June 30, 2013 and 2014 (applicable to fiscal years ended June 30, 2016 and 2017, respective).

CITY OF LA HABRA, CALIFORNIA
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
			<u>(See Note 2)</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property taxes and special assessments	\$ 15,304,303	\$ 15,304,303	\$ 16,117,190	\$ 812,887
Sales and use tax	10,328,660	10,328,660	10,235,873	(92,787)
Transaction and use tax	5,232,000	5,232,000	5,063,240	(168,760)
Franchise tax	1,609,000	1,609,000	1,680,204	71,204
Intergovernmental	60,000	60,000	110,222	50,222
Licenses and permits	938,770	938,770	1,504,900	566,130
Charges for services	4,649,612	4,649,612	4,846,551	196,939
Fines, forfeitures, and penalties	931,000	931,000	1,140,276	209,276
Use of money and property	2,024,417	2,024,417	2,101,457	77,040
Other revenues	200	65,967	50,106	(15,861)
Total revenues	<u>41,077,962</u>	<u>41,143,729</u>	<u>42,850,019</u>	<u>1,706,290</u>
Expenditures:				
Current:				
General government	3,410,237	3,410,237	3,536,147	(125,910)
Public safety	26,628,696	26,628,696	26,630,055	(1,359)
Public works	5,108,891	5,108,891	5,085,326	23,565
Community services	3,608,026	3,651,672	3,500,629	151,043
Community development	1,793,669	1,793,669	1,841,696	(48,027)
Capital outlay	-	22,121	15,266	6,855
Debt service:				
Principal	219,627	219,627	219,627	-
Interest expense	28,439	28,439	58,397	(29,958)
Total expenditures	<u>40,797,585</u>	<u>40,863,352</u>	<u>40,887,143</u>	<u>(23,791)</u>
Excess (deficiency) of revenues over expenditures	<u>280,377</u>	<u>280,377</u>	<u>1,962,876</u>	<u>1,682,499</u>
Other financial sources (uses):				
Transfers out	(68,637)	(68,637)	(3,074,506)	(3,005,869)
Proceeds from sale of capital assets	-	-	741,229	741,229
Total other financing sources (uses)	<u>(68,637)</u>	<u>(68,637)</u>	<u>(2,333,277)</u>	<u>(2,264,640)</u>
Net change in fund balance	211,740	211,740	(370,401)	(582,141)
Fund balance, beginning of year	8,809,491	8,809,491	8,809,491	-
Fund balance, end of year	<u>\$ 9,021,231</u>	<u>\$ 9,021,231</u>	<u>\$ 8,439,090</u>	<u>\$ (582,141)</u>

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA, CALIFORNIA
Child Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 6,366,609	\$ 6,366,609	\$ 5,931,227	\$ (435,382)
Charges for services	26,000	26,000	36,645	10,645
Use of money and property	-	-	1,612	1,612
Other revenues	-	-	1,155	1,155
	<u>6,392,609</u>	<u>6,392,609</u>	<u>5,970,639</u>	<u>(421,970)</u>
Expenditures:				
Current:				
Community services	6,392,609	6,392,609	5,955,234	437,375
Capital outlay	-	-	-	-
	<u>6,392,609</u>	<u>6,392,609</u>	<u>5,955,234</u>	<u>437,375</u>
Net change in fund balance	-	-	15,405	15,405
Fund balance, beginning of year	<u>4,331</u>	<u>4,331</u>	<u>4,331</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,331</u>	<u>\$ 4,331</u>	<u>\$ 19,736</u>	<u>\$ 15,405</u>

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA, CALIFORNIA
Note to Required Supplementary Information
June 30, 2017

(1) Budgets and Budgetary Accounting

Annual budgets are adopted on a substantially modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department head, with approval of the Finance Director and City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments within a fund must be approved by the City Manager. Transfers between funds must be approved by the City Council; therefore, the legal level of budgetary control is at the fund level. The Council made several supplemental budgetary appropriations throughout the year. Certain types of transfers between funds are approved by the City Council in the budget resolution. The amounts of these transfers are typically unknown until the year end therefore not included in the final budget. An annual budget is not legally adopted for Traffic Improvement Special Revenue Fund, General Plan Update Special Revenue Fund, and Public Art Special Revenue Fund in fiscal year ended June 30, 2017.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities, because the commitments will be reappropriated and honored during the subsequent year.

(a) Excess of Expenditures Over Appropriations

Fund	Amount Over Budget
General Fund	\$ 23,791
Park and Capital Improvement Special Revenue Fund	266,690
Other Federal Grants Special Revenue Fund	122,342
Traffic Safety Special Revenue Fund	4,728
Service Authority Abandoned Vehicles Special Revenue Fund	329

(2) Explanation of Differences between Revenues, Expenditures, and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP

Expenditures	General Fund
Actual amounts (budgetary basis) "expenditures" for the budgetary comparison schedules	\$ 40,887,143
Adjustments:	
Principal payment for Advances to Other Funds is reported as expenditure for budgetary purposes, but as a reduction of liability for GAAP reporting	(340,000)
Total expenditures for the General Fund on a GAAP basis of accounting	\$ 40,547,143

CITY OF LA HABRA
Other Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	\$ 63,156	\$ 63,156
Use of money and property	-	1,473	1,473
Total revenues	<u>-</u>	<u>64,629</u>	<u>64,629</u>
Expenditures:			
Current:			
Public works	848,456	674,887	173,569
Capital outlay	11,391,670	10,298,831	1,092,839
Total expenditures	<u>12,240,126</u>	<u>10,973,718</u>	<u>1,266,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,240,126)</u>	<u>(10,909,089)</u>	<u>1,331,037</u>
Other financing sources (uses):			
Transfers in	-	5,057,113	5,057,113
Transfers out	-	(67,014)	(67,014)
Total other financing sources (uses)	<u>-</u>	<u>4,990,099</u>	<u>4,990,099</u>
Net change in fund balance	(12,240,126)	(5,918,990)	6,321,136
Fund balance, beginning of year	<u>6,608,111</u>	<u>6,608,111</u>	<u>-</u>
Fund balance, end of year	<u>\$ (5,632,015)</u>	<u>\$ 689,121</u>	<u>6,321,136</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

State Gas Tax Fund

The State Gas Tax Fund accounts for revenue received as the City's share of state gasoline taxes and expenditures made for street maintenance and improvements. Revenue is subverted to the City under Sections 2105, 2106, 2107 and 2107.5 of the Streets and Highway Code. Expenditures are for street maintenance and engineering to the extent legally permitted, with the remainder allocated to construction projects.

Park and Capital Development Funds

These funds account for revenue derived from fees paid on all construction in the City pursuant to City Ordinance Nos. 950 and 1053. Expenditure of monies derived from residential construction is restricted to development and acquisition of parks and recreation facilities. Remaining resources are designated for capital projects to improve the community environment.

Air Quality Improvement Fund

This fund accounts for the implementation of Local Ordinance No. 14081 and California AB2766. Revenue consists of the City's pre-capita share of the new SCAQMD vehicle registration surcharge. Expenditures may be made only for mobile source emission reduction programs.

Law Enforcement Fund

The Law Enforcement Fund accounts for revenue received and expenditures made for the various federal, state, and local police grants such as asset seizure, Citizens' Option for Public Safety Program, etc.

Housing and Community Development Fund

The Housing and Community Development Fund accounts for revenue received and expenditures made for the community development and housing. As an entitlement jurisdiction, these activities are financed by grants received through the U.S. Department of Housing and Urban Development Block Grant Program.

Employment and Training Fund

This fund accounts for activities of various federal grant programs, including Workforce Investment Act, Temporary Aid to Needy Families and Welfare to Work. Under contract with the County of Orange, the City provided employment and training services to youth, adults and older workers in the northern part of Orange County and surrounding areas. The City has been an active provider of federally funded work-related services since 1972.

Measure M Special Revenue Fund

The Measure M Special Revenue Fund is used to account for financial resources to be used for various capital and street improvements.

Public Safety Augmentation Fund

The Public Safety Augmentation Fund accounts for the additional one-half cent sales tax to be used for public safety expenditures.

Other Federal Grants Fund

The Other Federal Grant Fund accounts for revenue received and expenditures made for the various miscellaneous federal grants.

Traffic Safety Fund

The Traffic Safety Fund is used to account for financial resources to be used for various traffic safety projects. Financing is provided through state grants and traffic offender fees.

Service Authority for Abandoned Vehicles Fund

The Service Authority for Abandoned Vehicles Fund accounts for the Orange County Transportation Authority's allocation of funds collected from annual vehicle registration fees to be used for keeping the streets clear of vehicles that have been abandoned.

Traffic Improvement Fund

The Traffic Improvement Fund accounts for fees collected from developers to pay for projects that mitigate the cumulative effect of the traffic created by these projects on the City's transportation system.

General Plan Update Fund

The General Plan Update Fund accounts for fees imposed on developers to be used to recover costs associated with preparation of City's general plan.

Public Art Fund

The Public Art Fund accounts for receipts and expenditures from fees imposed on developers to provide for public art elements on site improvements.

Debt Service Fund

Other Debt Service Fund

To account for the accumulation of resources for, and the payment of, indebtedness of the City, excluding debt accounted for as proprietary fund debt. The debt service is financed through general city revenue.

Capital Projects Funds

Low and Moderate Income Housing Assets Fund

The Low and Moderate Income Housing Assets Fund, also known as Housing Successor, accounts for the housing assets which represent the former 20% set-aside of the tax allocations to the former Redevelopment Agency. This fund has been created after the dissolution of the former Redevelopment Agency in February 2012 pursuant to the California Health and Safety Code Section 34176. This fund must be used for the purpose of increasing or improvement of the community's supply of low and moderate income housing.

CITY OF LA HABRA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue Funds</u>		
	<u>State Gas Tax</u>	<u>Park and Capital Development</u>	<u>Air Quality Improvement</u>
Assets:			
Cash and investments	\$ 3,591,917	\$ 2,147,531	\$ 61,142
Accounts receivables	10,950	-	-
Interest receivables	8,061	9,672	122
Due from other governments	-	-	40,282
Loans receivable	-	-	-
Total assets	<u>\$ 3,610,928</u>	<u>\$ 2,157,203</u>	<u>\$ 101,546</u>
Liabilities:			
Accounts payable	\$ 721,471	\$ 5,507	\$ 58,549
Accrued liabilities	48,486	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>769,957</u>	<u>5,507</u>	<u>58,549</u>
Deferred inflows of resources:			
Unavailable revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	<u>2,840,971</u>	<u>2,151,696</u>	<u>42,997</u>
Total fund balances	<u>2,840,971</u>	<u>2,151,696</u>	<u>42,997</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,610,928</u>	<u>\$ 2,157,203</u>	<u>\$ 101,546</u>

Special Revenue Funds

Law Enforcement	Housing and Community Development	Employment and Training	Measure M	Public Safety Augmentation	Other Federal Grants
\$ 890,699	\$ -	\$ -	\$ 694,936	\$ 202,179	\$ -
-	-	88	-	-	-
1,740	-	-	4,198	530	-
131,525	334,728	167,715	1,398,633	34,268	574,928
-	624,436	-	-	-	-
<u>\$ 1,023,964</u>	<u>\$ 959,164</u>	<u>\$ 167,803</u>	<u>\$ 2,097,767</u>	<u>\$ 236,977</u>	<u>\$ 574,928</u>
\$ 12,233	\$ 103,227	\$ 2,629	\$ 490,943	\$ -	\$ 64,877
73,410	4,716	8,134	38,809	-	-
-	226,785	125,214	-	-	510,051
169,289	-	-	-	-	-
254,932	334,728	135,977	529,752	-	574,928
-	624,436	-	-	-	-
-	624,436	-	-	-	-
769,032	-	31,826	1,568,015	236,977	-
769,032	-	31,826	1,568,015	236,977	-
<u>\$ 1,023,964</u>	<u>\$ 959,164</u>	<u>\$ 167,803</u>	<u>\$ 2,097,767</u>	<u>\$ 236,977</u>	<u>\$ 574,928</u>

(Continued)

CITY OF LA HABRA, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2017

	Special Revenue Funds		
	Traffic Safety	Service Authority for Abandoned Vehicles	Traffic Improvement
Assets:			
Cash and investments	\$ 71,667	\$ 185,474	\$ 6,137,607
Accounts receivables	155	-	-
Interest receivables	148	387	-
Due from other governments	-	-	-
Loans receivable	-	-	-
Total assets	<u>\$ 71,970</u>	<u>\$ 185,861</u>	<u>\$ 6,137,607</u>
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	1,087	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>1,087</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	<u>71,970</u>	<u>184,774</u>	<u>6,137,607</u>
Total fund balances	<u>71,970</u>	<u>184,774</u>	<u>6,137,607</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 71,970</u>	<u>\$ 185,861</u>	<u>\$ 6,137,607</u>

Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total
General Plan Update	Public Art	Other Debt Service	Low-Moderate Income Housing Assets		
\$ 172,176	\$ 65,000	\$ -	\$ 661,336	\$	14,881,664
-	-	-	-		11,193
-	-	-	1,344		26,202
-	-	-	-		2,682,079
-	-	-	-		624,436
<u>\$ 172,176</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 662,680</u>	<u>\$</u>	<u>18,225,574</u>
\$ -	\$ -	\$ -	\$ -	\$	1,459,436
-	-	-	-		174,642
-	-	-	-		862,050
-	-	-	-		169,289
-	-	-	-		2,665,417
-	-	-	-		624,436
-	-	-	-		624,436
172,176	65,000	-	662,680		14,935,721
<u>172,176</u>	<u>65,000</u>	<u>-</u>	<u>662,680</u>		<u>14,935,721</u>
<u>\$ 172,176</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 662,680</u>	<u>\$</u>	<u>18,225,574</u>

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds		
	State Gas Tax	Park and Capital Development	Air Quality Improvement
Revenues:			
Intergovernmental	\$ 1,117,240	\$ 90,845	\$ 156,104
Licenses and permits	-	49,000	-
Charges for services	-	-	-
Use of money and property	1,442	2,225	29
Other revenues	-	-	-
Total revenues	<u>1,118,682</u>	<u>142,070</u>	<u>156,133</u>
Expenditures:			
Current:			
Public safety	-	-	-
Public works	356,807	-	-
Community services	-	-	166,300
Community development	-	-	-
Capital outlay	1,597,353	371,690	-
Debt service:			
Principal retirement	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>1,954,160</u>	<u>371,690</u>	<u>166,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(835,478)</u>	<u>(229,620)</u>	<u>(10,167)</u>
Other financing sources (uses):			
Transfers in	60	145,000	-
Transfers out	(273,927)	(2,584,237)	-
Total other financing sources (uses)	<u>(273,867)</u>	<u>(2,439,237)</u>	<u>-</u>
Special item	-	-	-
Net change in fund balances	<u>(1,109,345)</u>	<u>(2,668,857)</u>	<u>(10,167)</u>
Fund balances, beginning of year	<u>3,950,316</u>	<u>4,820,553</u>	<u>53,164</u>
Fund balances, ending of year	<u>\$ 2,840,971</u>	<u>\$ 2,151,696</u>	<u>\$ 42,997</u>

Special Revenue Funds

Law Enforcement	Housing and Community Development	Employment and Training	Measure M	Public Safety Augmentation	Other Federal Grants
\$ 835,696	\$ 1,356,907	\$ 531,141	\$ 959,093	\$ 267,796	\$ 574,928
-	-	-	-	-	-
-	-	-	-	-	-
5,236	-	-	2,809	(1,177)	-
-	-	-	-	-	-
<u>840,932</u>	<u>1,356,907</u>	<u>531,141</u>	<u>961,902</u>	<u>266,619</u>	<u>574,928</u>
809,738	-	-	-	63,699	-
-	-	-	821,760	-	95,922
-	-	528,112	-	-	-
-	1,015,924	-	-	-	-
254,969	500,207	-	1,390,945	76,456	488,642
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,064,707</u>	<u>1,516,131</u>	<u>528,112</u>	<u>2,212,705</u>	<u>140,155</u>	<u>584,564</u>
<u>(223,775)</u>	<u>(159,224)</u>	<u>3,029</u>	<u>(1,250,803)</u>	<u>126,464</u>	<u>(9,636)</u>
3,297	-	-	772,531	-	9,636
-	-	-	-	-	-
<u>3,297</u>	<u>-</u>	<u>-</u>	<u>772,531</u>	<u>-</u>	<u>9,636</u>
-	-	-	-	-	-
<u>(220,478)</u>	<u>(159,224)</u>	<u>3,029</u>	<u>(478,272)</u>	<u>126,464</u>	<u>-</u>
<u>989,510</u>	<u>159,224</u>	<u>28,797</u>	<u>2,046,287</u>	<u>110,513</u>	<u>-</u>
<u>\$ 769,032</u>	<u>\$ -</u>	<u>\$ 31,826</u>	<u>\$ 1,568,015</u>	<u>\$ 236,977</u>	<u>\$ -</u>

(Continued)

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2017

	Special Revenue Funds		
	Traffic Safety	Service Authority for Abandoned Vehicles	Traffic Improvement
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	22,930	-	152,965
Use of money and property	123	(200)	-
Other revenues	-	-	-
Total revenues	<u>23,053</u>	<u>(200)</u>	<u>152,965</u>
Expenditures:			
Current:			
Public safety	8,728	-	-
Public works	-	-	-
Community services	-	-	-
Community development	-	64,083	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>8,728</u>	<u>64,083</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,325</u>	<u>(64,283)</u>	<u>152,965</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(431,590)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(431,590)</u>
Special item	<u>-</u>	<u>-</u>	<u>6,416,232</u>
Net change in fund balances	<u>14,325</u>	<u>(64,283)</u>	<u>6,137,607</u>
Fund balances, beginning of year	<u>57,645</u>	<u>249,057</u>	<u>-</u>
Fund balances, ending of year	<u>\$ 71,970</u>	<u>\$ 184,774</u>	<u>\$ 6,137,607</u>

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
<u>General Plan Update</u>	<u>Public Art</u>	<u>Other Debt Service</u>	<u>Low-Moderate Income Housing Assets</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,889,750
-	-	-	-	49,000
172,176	65,000	-	-	413,071
-	-	-	131,854	142,341
-	-	-	142,975	142,975
<u>172,176</u>	<u>65,000</u>	<u>-</u>	<u>274,829</u>	<u>6,637,137</u>
-	-	-	-	882,165
-	-	-	-	1,274,489
-	-	-	-	694,412
-	-	-	-	1,080,007
-	-	-	-	4,680,262
-	-	58,958	-	58,958
-	-	9,679	-	9,679
-	-	<u>68,637</u>	<u>-</u>	<u>8,679,972</u>
<u>172,176</u>	<u>65,000</u>	<u>(68,637)</u>	<u>274,829</u>	<u>(2,042,835)</u>
-	-	68,637	-	999,161
-	-	-	-	(3,289,754)
-	-	<u>68,637</u>	<u>-</u>	<u>(2,290,593)</u>
-	-	-	-	6,416,232
<u>172,176</u>	<u>65,000</u>	<u>-</u>	<u>274,829</u>	<u>2,082,804</u>
-	-	-	387,851	12,852,917
<u>\$ 172,176</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 662,680</u>	<u>\$ 14,935,721</u>

CITY OF LA HABRA, CALIFORNIA
State Gas Tax Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,331,429	\$ 1,117,240	\$ (214,189)
Use of money and property	22,600	1,442	(21,158)
Total revenues	1,354,029	1,118,682	(235,347)
Expenditures:			
Current:			
Public works	298,661	356,807	(58,146)
Capital outlay	3,437,203	1,597,353	1,839,850
Total expenditures	3,735,864	1,954,160	1,781,704
Excess (deficiency) of revenues over (under) expenditures	(2,381,835)	(835,478)	1,546,357
Other financing sources:			
Transfers in	-	60	60
Transfers out	-	(273,927)	(273,927)
Total other financing sources (uses)	-	(273,867)	(273,867)
Net change in fund balance	(2,381,835)	(1,109,345)	1,272,490
Fund balance, beginning of year	3,950,316	3,950,316	-
Fund balance, end of year	\$ 1,568,481	\$ 2,840,971	\$ 1,272,490

CITY OF LA HABRA, CALIFORNIA
Park and Capital Improvement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 45,000	\$ 90,845	\$ 45,845
Licenses and permits	1,236,800	49,000	(1,187,800)
Use of money and property	11,300	2,225	(9,075)
Total Revenues	<u>1,293,100</u>	<u>142,070</u>	<u>(1,151,030)</u>
Expenditures:			
Capital outlay	<u>105,000</u>	<u>371,690</u>	<u>(266,690)</u>
Total Expenditures	<u>105,000</u>	<u>371,690</u>	<u>(266,690)</u>
Excess (deficiency) of revenues over (under) expenditures	1,188,100	(229,620)	(1,417,720)
Other financing sources:			
Transfers in	-	145,000	145,000
Transfers out	-	(2,584,237)	(2,584,237)
Total other financing sources (uses)	<u>-</u>	<u>(2,439,237)</u>	<u>(2,439,237)</u>
Net change in fund balance	1,188,100	(2,668,857)	(3,856,957)
Fund balance, beginning of year	<u>4,820,553</u>	<u>4,820,553</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,008,653</u>	<u>\$ 2,151,696</u>	<u>\$ (3,856,957)</u>

CITY OF LA HABRA, CALIFORNIA
Air Quality Improvement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 151,658	\$ 156,104	\$ 4,446
Use of money and property	400	29	(371)
Total revenues	152,058	156,133	4,075
Expenditures:			
Current:			
Community services	170,000	166,300	3,700
Total Expenditures	170,000	166,300	3,700
Net change in fund balance	(17,942)	(10,167)	7,775
Fund balance, beginning of year	53,164	53,164	-
Fund balance, end of year	\$ 35,222	\$ 42,997	\$ 7,775

CITY OF LA HABRA, CALIFORNIA
Law Enforcement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 991,539	\$ 835,696	\$ (155,843)
Use of money and property	6,500	5,236	(1,264)
Total revenues	<u>998,039</u>	<u>840,932</u>	<u>(157,107)</u>
Expenditures:			
Current:			
Public safety	838,651	809,738	28,913
Capital outlay	866,593	254,969	611,624
Total Expenditures	<u>1,705,244</u>	<u>1,064,707</u>	<u>640,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(707,205)</u>	<u>(223,775)</u>	<u>483,430</u>
Other financing sources:			
Transfers in	-	3,297	3,297
Total other financing sources (uses)	<u>-</u>	<u>3,297</u>	<u>3,297</u>
Net change in fund balance	(707,205)	(220,478)	486,727
Fund balance, beginning of year	<u>989,510</u>	<u>989,510</u>	<u>-</u>
Fund balance, end of year	<u>\$ 282,305</u>	<u>\$ 769,032</u>	<u>\$ 486,727</u>

CITY OF LA HABRA, CALIFORNIA
Housing and Community Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,461,516	\$ 1,356,907	\$ (104,609)
Expenditures:			
Current:			
Community development	1,533,694	1,015,924	517,770
Capital outlay	<u>480,000</u>	<u>500,207</u>	<u>(20,207)</u>
Total expenditures	<u>2,013,694</u>	<u>1,516,131</u>	<u>497,563</u>
Net change in fund balance	(552,178)	(159,224)	392,954
Fund balance, beginning of year	<u>159,224</u>	<u>159,224</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (392,954)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 392,954</u></u>

CITY OF LA HABRA, CALIFORNIA
Employment and Training Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 611,493	\$ 531,141	\$ (80,352)
Total revenues	<u>611,493</u>	<u>531,141</u>	<u>(80,352)</u>
Expenditures:			
Current:			
Community services	<u>611,493</u>	<u>528,112</u>	<u>83,381</u>
Total expenditures	<u>611,493</u>	<u>528,112</u>	<u>83,381</u>
Net change in fund balance	-	3,029	3,029
Fund balance, beginning of year	<u>28,797</u>	<u>28,797</u>	-
Fund balance, end of year	<u><u>\$ 28,797</u></u>	<u><u>\$ 31,826</u></u>	<u><u>\$ 3,029</u></u>

CITY OF LA HABRA, CALIFORNIA
Measure M Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 4,570,512	\$ 959,093	\$ (3,611,419)
Use of money and property	3,000	2,809	(191)
Total Revenues	4,573,512	961,902	(3,611,610)
Expenditures:			
Current:			
Public works	212,369	821,760	(609,391)
Capital outlay	5,444,345	1,390,945	4,053,400
Total expenditures	5,656,714	2,212,705	3,444,009
Excess (deficiency) of revenues over (under) expenditures	(1,083,202)	(1,250,803)	(167,601)
Other financing sources:			
Transfers in	-	772,531	772,531
Total other financing sources (uses)	-	772,531	772,531
Net change in fund balance	(1,083,202)	(478,272)	604,930
Fund balance, beginning of year	2,046,287	2,046,287	-
Fund balance (deficit), end of year	\$ 963,085	\$ 1,568,015	\$ 604,930

CITY OF LA HABRA, CALIFORNIA
Public Safety Augmentation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 200,000	\$ 267,796	\$ 67,796
Use of money and property	3,800	(1,177)	(4,977)
Total revenues	<u>203,800</u>	<u>266,619</u>	<u>62,819</u>
Expenditures:			
Current:			
Public safety	338,708	63,699	275,009
Capital outlay	-	76,456	(76,456)
Total expenditures	<u>338,708</u>	<u>140,155</u>	<u>198,553</u>
Net change in fund balance	(134,908)	126,464	261,372
Fund balance, beginning of year	<u>110,513</u>	<u>110,513</u>	<u>-</u>
Fund balance, end of year	<u>\$ (24,395)</u>	<u>\$ 236,977</u>	<u>\$ 261,372</u>

CITY OF LA HABRA, CALIFORNIA
Other Federal Grants Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,265,340	\$ 574,928	\$ (690,412)
Total revenues	1,265,340	574,928	(690,412)
Expenditures:			
Current:			
Public works	9,222	95,922	(86,700)
Capital outlay	453,000	488,642	(35,642)
Total expenditures	462,222	584,564	(122,342)
Excess (deficiency) of revenues over expenditures	803,118	(9,636)	(812,754)
Other financing sources (uses):			
Transfers in	-	9,636	9,636
Total other financing sources (uses)	-	9,636	9,636
Net change in fund balance	803,118	-	(803,118)
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ 803,118	\$ -	\$ (803,118)

CITY OF LA HABRA, CALIFORNIA
Traffic Safety Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,606,000	\$ -	\$ (1,606,000)
Charges for services	16,000	22,930	6,930
Use of money and property	400	123	(277)
Total revenues	1,622,400	23,053	(1,599,347)
Expenditures:			
Current:			
Public safety	4,000	8,728	(4,728)
Total expenditures	4,000	8,728	(4,728)
Net change in fund balance	1,618,400	14,325	(1,604,075)
Fund balance, beginning of year	57,645	57,645	-
Fund balance, end of year	\$ 1,676,045	\$ 71,970	\$ (1,604,075)

CITY OF LA HABRA, CALIFORNIA
Service Authority for Abandoned Vehicles Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Final Budget	Actual	Positive (Negative)
Revenues:			
Use of money and property	\$ 2,500	\$ (200)	\$ (2,700)
Total revenues	2,500	(200)	(2,700)
Expenditures:			
Current:			
Community development	63,754	64,083	(329)
Total expenditures	63,754	64,083	(329)
Net change in fund balance	(61,254)	(64,283)	(3,029)
Fund balance, beginning of year	249,057	249,057	-
Fund balance, end of year	\$ 187,803	\$ 184,774	\$ (3,029)

CITY OF LA HABRA, CALIFORNIA
Other Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Debt service:			
Principal	\$ 58,958	\$ 58,958	\$ -
Interest expense	9,679	9,679	-
Total expenditures	<u>68,637</u>	<u>68,637</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(68,637)	(68,637)	-
Other financing sources:			
Transfers in	<u>68,637</u>	<u>68,637</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF LA HABRA, CALIFORNIA
Low-Moderate Income Housing Assets Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 131,854	\$ 131,854
Other revenues	-	142,975	142,975
Total revenues	-	274,829	274,829
Expenditures:			
Current:			
Community development	90,000	-	90,000
Total expenditures	90,000	-	90,000
Net change in fund balance	(90,000)	274,829	364,829
Fund balance, beginning of year	387,851	387,851	-
Fund balance, end of year	\$ 297,851	\$ 662,680	\$ 364,829

NONMAJOR ENTERPRISE FUNDS

Children's Museum Fund

The Children's Museum Fund accounts for all revenue, expenditures and related financial operations for this Enterprise Fund. The museum is one of a few museums in the nation devoted to children and is, therefore, of regional significance. Revenue is obtained from admissions, fund-raising activities by the Friends of the Museum and occasional state grants.

Mobile Home Lease Fund

The Mobile Home Lease Fund accounts all revenue and expense relating to the acquisition of two mobile from parks acquired by the City.

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 480,644	\$ 2,840,554	\$ 3,321,198
Intergovernmental	1,773	-	1,773
Total operating revenues	<u>482,417</u>	<u>2,840,554</u>	<u>3,322,971</u>
Operating expenses:			
Contractual services	14,125	532,553	546,678
Wages and fringe benefits	397,947	3,267	401,214
Equipment and maintenance	6,589	51,073	57,662
Materials and supplies	8,070	-	8,070
Utilities	34,708	250,189	284,897
Depreciation	29,860	140,931	170,791
Administration	76,039	1,429,207	1,505,246
Total operating expenses	<u>567,338</u>	<u>2,407,220</u>	<u>2,974,558</u>
Operating income (loss)	<u>(84,921)</u>	<u>433,334</u>	<u>348,413</u>
Nonoperating revenues (expenses):			
Interest income	3,217	9,593	12,810
Net increase (decrease) in fair value of investment	<u>(2,580)</u>	<u>(8,498)</u>	<u>(11,078)</u>
Total nonoperating revenues	<u>637</u>	<u>1,095</u>	<u>1,732</u>
Income (loss) before transfers	(84,284)	434,429	350,145
Transfers in	<u>92,500</u>	<u>-</u>	<u>92,500</u>
Change in net position	8,216	434,429	442,645
Net position, beginning of year	<u>408,344</u>	<u>3,480,559</u>	<u>3,888,903</u>
Net position, end of year	<u>\$ 416,560</u>	<u>\$ 3,914,988</u>	<u>\$ 4,331,548</u>

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 357,852	\$ 2,819,194	\$ 3,177,046
Receipts from interfund services provided	110,113	-	110,113
Payments to suppliers	(75,089)	(1,920,365)	(1,995,454)
Payments for internal services used	(60,674)	(309,695)	(370,369)
Payments for employees' salaries and benefits	(394,819)	(3,267)	(398,086)
Net cash provided by (used in) operating activities	<u>(62,617)</u>	<u>585,867</u>	<u>523,250</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	92,500	-	92,500
Payments of advances from other funds	-	(400,000)	(400,000)
Net cash provided by (used in) noncapital financing activities	<u>92,500</u>	<u>(400,000)</u>	<u>(307,500)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(27,376)	-	(27,376)
Net cash (used in) capital and related financing activities	<u>(27,376)</u>	<u>-</u>	<u>(27,376)</u>
Cash flows from investing activities:			
Purchase of investments	(2,580)	(8,498)	(11,078)
Interest on investments	2,919	8,606	11,525
Net cash provided by (used in) investing activities	<u>339</u>	<u>108</u>	<u>447</u>
Net increase (decrease) in cash and cash equivalents	2,846	185,975	188,821
Cash and cash equivalents, beginning of year	<u>426,260</u>	<u>1,219,007</u>	<u>1,645,267</u>
Cash and cash equivalents, end of year	<u>\$ 429,106</u>	<u>\$ 1,404,982</u>	<u>\$ 1,834,088</u>
Cash and cash equivalents:			
Cash and investments	\$ 429,106	\$ 1,404,982	\$ 1,834,088
Cash and investments with fiscal agents	-	-	-
Total cash and cash equivalents	<u>\$ 429,106</u>	<u>\$ 1,404,982</u>	<u>\$ 1,834,088</u>

(Continued)

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
For the Year Ended June 30, 2017

	Children's Museum	Mobile Home Lease	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating Income (Loss)	\$ (84,921)	\$ 433,334	\$ 348,413
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	29,860	140,931	170,791
Change in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:			
(Increase) decrease in receivables	(4,771)	(21,360)	(26,131)
(Increase) decrease in from other governments	(9,681)	-	(9,681)
(Increase) decrease in prepaid items	-	18,851	18,851
Increase (decrease) in accounts payable	3,768	14,111	17,879
Increase (decrease) in accrued liabilities	(12,920)	-	(12,920)
Increase (decrease) in compensated absences	4,857	-	4,857
Increase (decrease) in net pension liability and related deferred inflows and outflows of resources	11,191	-	11,191
Total adjustments	22,304	152,533	174,837
Net cash provided by (used in) operating activities	\$ (62,617)	\$ 585,867	\$ 523,250

INTERNAL SERVICE FUNDS

Fleet Management Fund

The Fleet Management Fund accounts for the financing of the fuel maintenance and operation of motor vehicles owned by the City. Departments using vehicles are charged an annual amount for fuel, maintenance and operation based on their actual experience.

Risk Management Fund

The Risk Management Fund accounts for claim settlements, administrative costs and the reserve trust fund established for future losses from liability suits; workers' compensation claims and medical, disability and rehabilitation payments; legal and administrative costs; and the reserve trust fund established for future losses from industrial injury. This self-insurance fund is financed by departmental premiums based on historical experience.

Information Technology Fund

The Information Technology Fund accounts for the provision of telephone and data technology services. The departments using these services are charged fees based on the number of telephones and computers assigned to each department.

Civic Improvement Authority Fund

The Civic Improvement Authority Fund accounts for all revenue and expenses of the separate legal entity as a joint powers agency by the City and the Housing Authority. Financing is mainly through the issuance of Certificates of Participation used for the acquisition of equipment to be leased to the City.

Fleet Replacement Fund

The Fleet Replacement Fund accounts for the financing of vehicles and similar types of equipment. The departments using these vehicles and equipment are charged a "rental fee" composed of depreciation calculated on straight-line basis plus an additional amount sufficient to finance the replacement of said vehicles and equipment.

Employee Benefits Fund

The Employee Benefits Fund accounts for short-term portion of employee benefits such as sick leave, vacation, and other paid leaves in the governmental activities. Revenues for this fund are derived from periodic funding from the General Fund.

Other Post Employment Benefit set-aside Fund

The Other Post Employment Benefit Set-Aside Fund accounts for money set aside to pay for future obligation relating to healthcare benefits of retirees. Revenues for this fund are derived from periodic charges to other departments based on the number of employees and periodic funding from the General Fund.

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
Assets:			
Current assets:			
Cash and investments	\$ 293,259	\$ 4,886,653	\$ 669,020
Accounts receivable, net	10,000	-	809
Interest receivable	526	9,813	1,257
Prepays	-	-	-
Due from other governments	8,507	-	-
Inventory	30,409	-	-
Total current assets	<u>342,701</u>	<u>4,896,466</u>	<u>671,086</u>
Noncurrent assets:			
Cash and investments with fiscal agents	-	-	-
Advances to other funds	-	-	-
Capital assets, net of accumulated depreciation	2,356	-	608,752
Total noncurrent assets	<u>2,356</u>	<u>-</u>	<u>608,752</u>
Total assets	<u>345,057</u>	<u>4,896,466</u>	<u>1,279,838</u>
Deferred outflows of resources:			
Unamortized loss on refunding of debt	-	-	-
Deferred amount from pension plans	121,613	100,469	256,437
Total deferred outflows of resources	<u>121,613</u>	<u>100,469</u>	<u>256,437</u>
Liabilities:			
Current liabilities:			
Accounts payable	49,210	2,084	123,313
Accrued liabilities	7,123	3,723	13,882
Accrued interest	-	-	-
Due to other funds	-	-	-
Claims payable, current	-	1,146,546	-
Compensated absences, current	-	-	-
Certificates of participation, current	-	-	-
Total current liabilities	<u>56,333</u>	<u>1,152,353</u>	<u>137,195</u>
Noncurrent liabilities:			
Claims payable, noncurrent	-	3,514,784	-
Certificates of participation, noncurrent	-	-	-
Lease financing, noncurrent	-	-	-
Net pension liability	446,681	358,772	943,868
Total noncurrent liabilities	<u>446,681</u>	<u>3,873,556</u>	<u>943,868</u>
Total liabilities	<u>503,014</u>	<u>5,025,909</u>	<u>1,081,063</u>
Deferred inflows of resources:			
Deferred amount from pension plans	33,883	13,534	21,802
Total deferred inflows of resources	<u>33,883</u>	<u>13,534</u>	<u>21,802</u>
Net position:			
Net investment in capital assets	2,356	-	608,752
Unrestricted	<u>(72,583)</u>	<u>(42,508)</u>	<u>(175,342)</u>
Total net position	<u>\$ (70,227)</u>	<u>\$ (42,508)</u>	<u>\$ 433,410</u>

<u>Civic Improvement Authority</u>	<u>Fleet Replacement</u>	<u>Employee Benefits</u>	<u>Other Post Employment Benefit set-aside</u>	<u>Totals</u>
\$ -	\$ 1,187,423	\$ 1,573,774	\$ 3,304	\$ 8,613,433
-	-	-	-	10,809
62	2,359	2,429	618	17,064
-	39,805	-	-	39,805
-	-	-	-	8,507
-	-	-	-	30,409
<u>62</u>	<u>1,229,587</u>	<u>1,576,203</u>	<u>3,922</u>	<u>8,720,027</u>
496,253	-	-	-	496,253
8,025,000	-	-	-	8,025,000
-	2,046,726	-	-	2,657,834
<u>8,521,253</u>	<u>2,046,726</u>	<u>-</u>	<u>-</u>	<u>11,179,087</u>
<u>8,521,315</u>	<u>3,276,313</u>	<u>1,576,203</u>	<u>3,922</u>	<u>19,899,114</u>
150,676	-	-	-	150,676
-	-	-	-	478,519
<u>150,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,195</u>
-	39,805	-	-	214,412
-	1,151	101,981	-	127,860
40,856	-	-	-	40,856
36,987	-	-	-	36,987
-	-	-	-	1,146,546
-	-	1,473,119	-	1,473,119
<u>355,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,000</u>
<u>432,843</u>	<u>40,956</u>	<u>1,575,100</u>	<u>-</u>	<u>3,394,780</u>
-	-	-	-	3,514,784
2,058,311	-	-	-	2,058,311
5,600,000	-	-	-	5,600,000
-	-	-	-	1,749,321
<u>7,658,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,922,416</u>
<u>8,091,154</u>	<u>40,956</u>	<u>1,575,100</u>	<u>-</u>	<u>16,317,196</u>
-	-	-	-	69,219
-	-	-	-	69,219
-	2,046,726	-	-	2,657,834
<u>580,837</u>	<u>1,188,631</u>	<u>1,103</u>	<u>3,922</u>	<u>1,484,060</u>
<u>\$ 580,837</u>	<u>\$ 3,235,357</u>	<u>\$ 1,103</u>	<u>\$ 3,922</u>	<u>\$ 4,141,894</u>

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
Operating revenues:			
Charges for services	\$ 1,182,681	\$ 2,168,070	\$ 1,648,583
Operating expenses:			
Contractual services	105,546	251,909	61,487
Wages and fringe benefits	359,144	318,656	738,973
Benefits and claims	-	775,546	-
Equipment and maintenance	42,678	-	552,674
Materials and supplies	514,593	1,557	5,810
Utilities	1,027	-	210,526
Depreciation	2,356	-	109,778
Administration	33,555	994,287	28,023
	<u>1,058,899</u>	<u>2,341,955</u>	<u>1,707,271</u>
Total operating expenses			
Operating income (loss)	<u>123,782</u>	<u>(173,885)</u>	<u>(58,688)</u>
Nonoperating revenues (expenses):			
Interest income	1,851	38,637	4,444
Interest (expense)	-	-	-
Net increase (decrease) in fair value of investment	<u>(799)</u>	<u>(36,457)</u>	<u>(5,498)</u>
	<u>1,052</u>	<u>2,180</u>	<u>(1,054)</u>
Total nonoperating revenues			
Income (loss) before transfers	124,834	(171,705)	(59,742)
Capital contributions	-	-	-
Transfers in	-	-	-
Changes in net position	<u>124,834</u>	<u>(171,705)</u>	<u>(59,742)</u>
Net position, beginning of year	<u>(195,061)</u>	<u>129,197</u>	<u>493,152</u>
Net position, end of year	<u>\$ (70,227)</u>	<u>\$ (42,508)</u>	<u>\$ 433,410</u>

<u>Civic Improvement Authority</u>	<u>Fleet Replacement</u>	<u>Employee Benefits</u>	<u>Other Post Employment Benefit set-aside</u>	<u>Totals</u>
\$ -	\$ 451,284	\$ -	\$ 146,960	\$ 5,597,578
-	-	18,064	443,000	880,006
-	47,049	607,306	-	2,071,128
-	-	-	-	775,546
-	10,322	-	-	605,674
-	-	-	-	521,960
-	-	-	-	211,553
-	390,663	-	-	502,797
-	3,252	488	-	1,059,605
-	451,286	625,858	443,000	6,628,269
-	(2)	(625,858)	(296,040)	(1,030,691)
209,823	8,777	11,124	1,777	276,433
(212,942)	-	-	-	(212,942)
612	(8,919)	(11,039)	(3,047)	(65,147)
(2,507)	(142)	85	(1,270)	(1,656)
(2,507)	(144)	(625,773)	(297,310)	(1,032,347)
-	121,736	-	-	121,736
-	-	400,000	120,000	520,000
(2,507)	121,592	(225,773)	(177,310)	(390,611)
583,344	3,113,765	226,876	181,232	4,532,505
<u>\$ 580,837</u>	<u>\$ 3,235,357</u>	<u>\$ 1,103</u>	<u>\$ 3,922</u>	<u>\$ 4,141,894</u>

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	<u>Fleet</u> <u>Management</u>	<u>Risk</u> <u>Management</u>	<u>Information</u> <u>Technology</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 84,408	\$ -	\$ -
Receipts from interfund services provided	1,095,732	2,168,848	1,647,794
Payments to suppliers	(644,400)	(2,013,910)	(827,830)
Payments for interfund services used	(18,408)	(5,448)	(9,888)
Payments for employees' salaries and benefits	<u>(361,042)</u>	<u>(321,502)</u>	<u>(741,135)</u>
Net cash provided by (used in) operating activities	<u>156,290</u>	<u>(172,012)</u>	<u>68,941</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	-	-	-
Payments of advances to/from other funds	-	-	-
Receipts of due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	-	(160,365)
Capital contribution	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	<u>-</u>	<u>-</u>	<u>-</u>
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(160,365)</u>
Cash flows from investing activities:			
Purchase of investments	(799)	(36,457)	(5,498)
Sales of investments	-	-	-
Interest on investments	<u>1,485</u>	<u>36,822</u>	<u>4,404</u>
Net cash provided by (used in) investing activities	<u>686</u>	<u>365</u>	<u>(1,094)</u>
Net increase (decrease) in cash and cash equivalents	156,976	(171,647)	(92,518)
Cash and cash equivalents, beginning of year	<u>136,283</u>	<u>5,058,300</u>	<u>761,538</u>
Cash and cash equivalents, end of year	<u>\$ 293,259</u>	<u>\$ 4,886,653</u>	<u>\$ 669,020</u>
Cash and cash equivalents:			
Cash and investments	\$ 293,259	\$ 4,886,653	\$ 669,020
Cash and investments with fiscal agents	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 293,259</u>	<u>\$ 4,886,653</u>	<u>\$ 669,020</u>

<u>Civic Improvement Authority</u>	<u>Fleet Replacement</u>	<u>Employee Benefits</u>	<u>Other Post Employment Benefit set-aside</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 84,408
-	456,014	-	146,960	5,515,348
-	(10,322)	(18,552)	-	(3,515,014)
-	(3,252)	-	-	(36,996)
-	(48,983)	(427,235)	(443,000)	(2,342,897)
-	393,457	(445,787)	(296,040)	(295,151)
-	-	400,000	120,000	520,000
340,000	-	-	-	340,000
(46,457)	-	-	-	(46,457)
293,543	-	400,000	120,000	813,543
-	(520,515)	-	-	(680,880)
-	121,736	-	-	121,736
(340,000)	-	-	-	(340,000)
(187,192)	-	-	-	(187,192)
(527,192)	(398,779)	-	-	(1,086,336)
-	(8,919)	(11,039)	(3,047)	(65,759)
612	-	-	-	612
209,761	8,377	11,143	1,837	273,829
210,373	(542)	104	(1,210)	208,682
(23,276)	(5,864)	(45,683)	(177,250)	(359,262)
519,529	1,193,287	1,619,457	180,554	9,468,948
<u>\$ 496,253</u>	<u>\$ 1,187,423</u>	<u>\$ 1,573,774</u>	<u>\$ 3,304</u>	<u>\$ 9,109,686</u>
\$ -	\$ 1,187,423	\$ 1,573,774	\$ 3,304	\$ 8,613,433
496,253	-	-	-	496,253
<u>\$ 496,253</u>	<u>\$ 1,187,423</u>	<u>\$ 1,573,774</u>	<u>\$ 3,304</u>	<u>\$ 9,109,686</u>

(Continued)

CITY OF LA HABRA, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2017

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 123,782	\$ (173,885)	\$ (58,688)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,356	-	109,778
Change in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:			
(Increase) decrease in accounts receivable	1,802	778	(789)
(Increase) decrease in due from other governments	(4,343)	-	
(Increase) decrease in inventory	4,788	-	
(Increase) decrease in prepaid items	-	-	40
Increase (decrease) in accounts payable	29,803	(137,124)	20,762
Increase (decrease) in accrued liabilities	(10,846)	(10,880)	(24,264)
Increase (decrease) in claims liabilities	-	141,065	-
Increase (decrease) in compensated absences	-	-	-
Increase (decrease) in net pension liability and related deferred inflows and outflows of resources	8,948	8,034	22,102
Total adjustments	<u>32,508</u>	<u>1,873</u>	<u>127,629</u>
Net cash provided by (used in) operating activities	<u>\$ 156,290</u>	<u>\$ (172,012)</u>	<u>\$ 68,941</u>
Noncash Capital and Related Financing Transactions			
Amortization of unamortized loss on refunding of debt	\$ -	\$ -	\$ -
Amortization of bond discount (premium)	-	-	-
Capital expenses funded by accounts payable	-	-	65,517

<u>Civic Improvement Authority</u>	<u>Fleet Replacement</u>	<u>Employee Benefits</u>	<u>Other Post Employment Benefit set-aside</u>	<u>Totals</u>
\$ -	\$ (2)	\$ (625,858)	\$ (296,040)	\$ (1,030,691)
-	390,663	-	-	502,797
-	4,730	-	-	6,521
-	-	-	-	(4,343)
-	-	-	-	4,788
-	-	-	-	40
-	-	-	-	(86,559)
-	(1,934)	101,981	-	54,057
-	-	-	-	141,065
-	-	78,090	-	78,090
-	-	-	-	39,084
-	393,459	180,071	-	735,540
<u>\$ -</u>	<u>\$ 393,457</u>	<u>\$ (445,787)</u>	<u>\$ (296,040)</u>	<u>\$ (295,151)</u>

\$ 29,163	\$ -	\$ -	\$ -	\$ 29,163
2,260	-	-	-	2,260
-	39,805	-	-	105,322

FIDUCIARY FUND

Agency Fund

Public Deposits Fund

The Public Deposits Fund accounts for all collections of Sanitary District fees for Orange County, conservation fees for the State of California and general deposits for numerous city activities.

CITY OF LA HABRA, CALIFORNIA
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Assets:				
Cash and investments	\$ 7,347,384	\$ 1,202,349	\$ 7,658,765	\$ 890,968
Interest receivable	15,959	15,918	15,959	15,918
	<u>7,363,343</u>	<u>1,218,267</u>	<u>7,674,724</u>	<u>906,886</u>
Total assets	<u>\$ 7,363,343</u>	<u>\$ 1,218,267</u>	<u>\$ 7,674,724</u>	<u>\$ 906,886</u>
Liabilities:				
Accounts payable	\$ 71,685	\$ 727,874	\$ 718,554	\$ 81,005
Accrued liabilities	16,593	206,054	208,156	14,491
Deposits	7,275,065	1,016,518	7,480,193	811,390
	<u>7,363,343</u>	<u>1,950,446</u>	<u>8,406,903</u>	<u>906,886</u>
Total liabilities	<u>\$ 7,363,343</u>	<u>\$ 1,950,446</u>	<u>\$ 8,406,903</u>	<u>\$ 906,886</u>

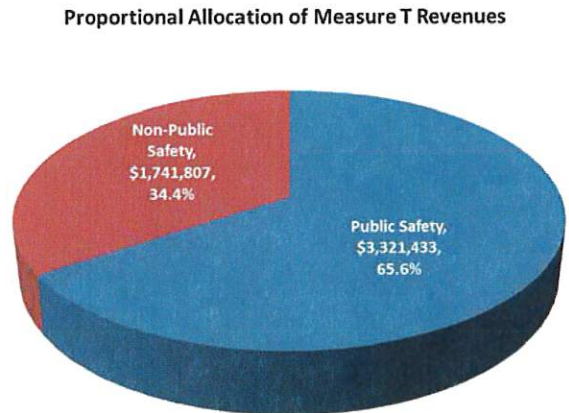
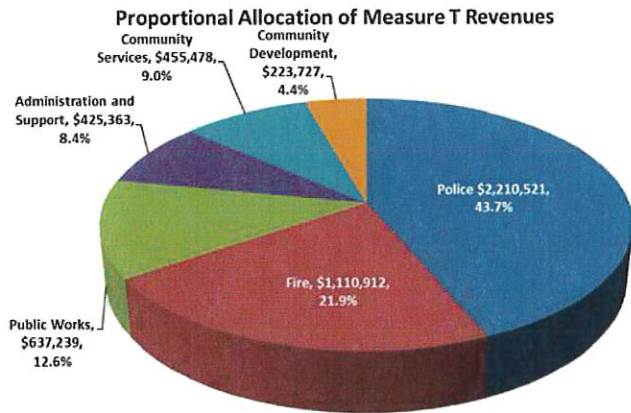
CITY OF LA HABRA, CALIFORNIA
Measure T Transaction and Use Tax: Use of Funds
Year Ended June 30, 2017

In November 2008, the voters of La Habra approved Measure T which established a ½ cent local transaction and use tax. The measure was approved as an undesignated “general” tax that would be used to help support the activities and operations of the City’s General Fund. As this is a general tax, it legally cannot be earmarked for any specific use by code or statute.

One method to determine how this revenue source has impacted General Fund operations is to compare the allocation of these revenues by a proportional share of General Fund expenditures by department. The following table details this breakdown based on the Measure T amended revenue budget for FY 16/17 and the proportional allocation of the General Fund amended expenditure budget by department.

Measure T Allocation Analysis by General Fund Department

Department	FY 16/17 GF Amended Budget Expenditures	% of Total GF Budgeted Expenditures	Proportional Allocation of Measure T Revenues
Police	\$17,722,258	43.7%	\$2,210,521
Fire	8,906,438	21.9%	1,110,912
Public Works	5,108,891	12.6%	637,239
Administration and Support	3,410,237	8.4%	425,363
Community Services	3,651,672	9.0%	455,478
Community Development	1,793,669	4.4%	223,727
Total	\$40,593,165	100.0%	\$5,063,240



This method of demonstrating the use of Measure T revenues is a fair representation based on the allocation of revenues to budgeted expenditures on a proportional basis. It is not possible to specifically identify the actual use of any undesignated General Fund revenue since those revenues are considered discretionary in nature.

CITY OF LA HABRA, CALIFORNIA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

STATISTICAL SECTION

This section of the City of La Habra's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Table of Contents

	<i>Page(s)</i>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	150-159
Revenue Capacity <i>These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax.</i>	163-167
Debt Capacity <i>These schedules contain present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	170-179
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	182-183
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	186-192

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF LA HABRA, CALIFORNIA
Net Position by Component
Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 62,720,405	\$ 69,852,168	\$ 72,267,324	\$ 74,411,098
Restricted	3,060,362	443,262	1,100,726	10,086,784
Unrestricted	22,800,535	18,146,165	18,770,240	14,909,849
Total governmental activities net position	<u>\$ 88,581,302</u>	<u>\$ 88,441,595</u>	<u>\$ 92,138,290</u>	<u>\$ 99,407,731</u>
Business-type activities				
Net investment in capital assets	\$ 6,818,385	\$ 11,978,153	\$ 16,282,084	\$ 15,332,126
Restricted	-	1,630,052	1,630,052	1,630,052
Unrestricted	28,336,251	20,649,253	17,457,587	20,091,568
Total business-type activities net position	<u>\$ 35,154,636</u>	<u>\$ 34,257,458</u>	<u>\$ 35,369,723</u>	<u>\$ 37,053,746</u>
Primary Government				
Net investment in capital assets	\$ 69,538,790	\$ 81,830,321	\$ 88,549,408	\$ 89,743,224
Restricted	3,060,362	2,073,314	2,730,778	11,716,836
Unrestricted	51,136,786	38,795,418	36,227,827	35,001,417
Total primary government net position	<u>\$ 123,735,938</u>	<u>\$ 122,699,053</u>	<u>\$ 127,508,013</u>	<u>\$ 136,461,477</u>

Source: Finance Office, City of La Habra

⁽¹⁾ During fiscal year ended June 30, 2014, the City adopted GASB Statement 65 which resulted in the restatement of net position in fiscal year ended June 30, 2013.

⁽²⁾ During fiscal year ended June 30, 2015, the City adopted GASB Statements 68 and 71 which resulted in the restatement of net position in fiscal year ended June 30, 2014.

Fiscal Year					
2012	2013 ⁽¹⁾	2014 ⁽²⁾	2015	2016	2017
\$ 74,666,668	\$ 76,564,962	\$ 78,951,634	\$ 77,327,812	\$ 87,775,876	\$ 98,908,209
8,699,455	9,844,805	7,673,024	9,119,231	13,465,394	15,849,805
25,179,579	27,559,460	27,453,928	(24,069,863)	(27,711,283)	(36,680,903)
<u>\$ 108,545,702</u>	<u>\$ 113,969,227</u>	<u>\$ 114,078,586</u>	<u>\$ 62,377,180</u>	<u>\$ 73,529,987</u>	<u>\$ 78,077,111</u>
\$ 14,823,632	\$ 19,564,982	\$ 22,031,524	\$ 22,780,994	\$ 22,464,681	\$ 23,274,193
1,630,052	1,363,180	1,288,543	731,879	841,051	1,066,402
22,095,633	19,681,735	19,176,036	17,505,632	19,447,151	19,171,906
<u>\$ 38,549,317</u>	<u>\$ 40,609,897</u>	<u>\$ 42,496,103</u>	<u>\$ 41,018,505</u>	<u>\$ 42,752,883</u>	<u>\$ 43,512,501</u>
\$ 89,490,300	\$ 96,129,944	\$ 100,983,158	\$ 100,108,806	\$ 110,240,557	\$ 122,182,402
10,329,507	11,207,985	8,961,567	9,851,110	14,306,445	16,916,207
47,275,212	47,241,195	46,629,964	(6,564,231)	(8,264,132)	(17,508,997)
<u>\$ 147,095,019</u>	<u>\$ 154,579,124</u>	<u>\$ 156,574,689</u>	<u>\$ 103,395,685</u>	<u>\$ 116,282,870</u>	<u>\$ 121,589,612</u>

CITY OF LA HABRA, CALIFORNIA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 2,450,872	\$ 4,567,895	\$ 2,799,293	\$ 3,391,804
Intergovernmental	14,426	-	-	-
Public safety	21,264,160	22,940,011	22,433,260	22,518,416
Public works	7,813,863	8,240,683	12,543,772	13,295,177
Community services	8,985,344	9,187,647	9,748,394	9,008,291
Community development	5,595,313	5,867,904	5,516,373	5,675,859
Interest on long-term debt	1,250,321	1,087,697	1,265,049	1,663,267
Total governmental activities expenses	<u>47,374,299</u>	<u>51,891,837</u>	<u>54,306,141</u>	<u>55,552,814</u>
Business-type activities:				
Water	9,091,989	9,616,279	10,274,385	10,171,235
Sewer	1,237,713	1,321,849	1,523,707	1,591,981
Housing Authority	961,673	1,715,950	1,671,488	2,093,743
Other business activities	5,874,526	6,131,357	6,274,848	5,315,794
Total business-type activities expenses	<u>17,165,901</u>	<u>18,785,435</u>	<u>19,744,428</u>	<u>19,172,753</u>
Total primary government expenses	<u>\$ 64,540,200</u>	<u>\$ 70,677,272</u>	<u>\$ 74,050,569</u>	<u>\$ 74,725,567</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ 310	\$ 7,183	\$ 428,161	\$ 102,225
Public safety	3,017,854	2,801,704	3,359,502	3,234,734
Public works	-	-	-	-
Community services	1,217,844	1,192,031	1,445,127	1,144,869
Community development	1,269,778	1,006,964	929,396	1,057,923
Operating grants and contributions	7,708,528	7,944,392	10,219,344	9,645,109
Capital grants and contributions	8,343,602	6,831,889	9,314,080	13,545,193
Total governmental activities program revenues	<u>21,557,916</u>	<u>19,784,163</u>	<u>25,695,610</u>	<u>28,730,053</u>
Business-type activities:				
Charges for services:				
Water	10,207,199	9,889,342	10,759,475	11,423,986
Sewer	1,351,929	1,124,764	1,346,611	1,450,422
Housing authority	1,984,399	2,097,380	2,129,124	1,247,111
Other business -type activities	5,958,707	6,040,726	6,071,837	6,231,787
Total business-type activities program revenues	<u>19,502,234</u>	<u>19,152,212</u>	<u>20,307,047</u>	<u>20,353,306</u>
Total primary government program revenues	<u>\$ 41,060,150</u>	<u>\$ 38,936,375</u>	<u>\$ 46,002,657</u>	<u>\$ 49,083,359</u>
Net (expense)/revenue:				
Governmental activities	\$(25,816,383)	\$(32,107,674)	\$ (28,610,531)	\$ (26,822,761)
Business-type activities	2,336,333	366,777	562,619	1,180,553
Total primary government net expense	<u>\$(23,480,050)</u>	<u>\$(31,740,897)</u>	<u>\$ (28,047,912)</u>	<u>\$ (25,642,208)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 3,686,663	\$ 3,461,904	\$ 4,017,045	\$ 3,045,640	\$ 5,390,669	\$ 3,671,388
-	-	-	-	-	-
22,890,241	23,605,899	24,505,359	25,574,530	27,410,251	30,195,115
7,129,157	7,172,065	7,430,857	10,181,891	9,246,671	11,002,512
8,457,255	9,165,755	9,459,747	10,086,222	10,290,567	10,591,475
4,632,329	4,034,985	4,592,489	2,228,511	1,968,081	3,064,649
923,269	266,069	206,922	251,344	330,196	281,018
<u>47,718,914</u>	<u>47,706,677</u>	<u>50,212,419</u>	<u>51,368,138</u>	<u>54,636,435</u>	<u>58,806,157</u>
10,111,046	10,699,804	12,095,302	12,132,398	12,120,429	12,946,131
1,664,713	2,012,774	1,927,963	1,908,300	1,934,381	2,107,071
3,035,323	3,049,222	1,629,058	1,594,723	1,737,015	1,491,686
4,189,973	4,201,456	5,997,886	6,632,638	6,322,831	6,341,002
<u>19,001,055</u>	<u>19,963,256</u>	<u>21,650,209</u>	<u>22,268,059</u>	<u>22,114,656</u>	<u>22,885,890</u>
<u>\$ 66,719,969</u>	<u>\$ 67,669,933</u>	<u>\$ 71,862,628</u>	<u>\$ 73,636,197</u>	<u>\$ 76,751,091</u>	<u>\$ 81,692,047</u>
\$ 100,150	\$ 100,360	\$ 105,934	\$ 431,447	\$ 535,708	\$ 549,270
2,998,253	3,071,009	3,242,072	3,180,715	3,354,565	3,351,086
-	-	-	-	2,899,926	203,981
823,340	1,078,848	1,234,637	1,016,705	1,011,325	1,035,577
869,115	1,335,841	1,148,627	917,062	1,796,341	1,987,112
9,278,565	9,099,096	8,027,156	8,691,442	8,308,818	9,957,548
3,578,616	3,163,745	4,556,286	3,426,786	4,423,311	2,644,726
<u>17,648,039</u>	<u>17,848,899</u>	<u>18,314,712</u>	<u>17,664,157</u>	<u>22,329,994</u>	<u>19,729,300</u>
11,043,029	13,045,637	13,673,720	13,398,340	12,209,656	13,035,748
1,509,749	1,541,770	1,622,818	1,627,871	1,628,705	1,803,519
1,582,853	1,584,262	1,577,921	1,602,845	1,645,982	1,281,830
6,278,645	6,250,703	6,360,631	6,385,815	7,283,219	7,279,389
<u>20,414,276</u>	<u>22,422,372</u>	<u>23,235,090</u>	<u>23,014,871</u>	<u>22,767,562</u>	<u>23,400,486</u>
<u>\$ 38,062,315</u>	<u>\$ 40,271,271</u>	<u>\$ 41,549,802</u>	<u>\$ 40,679,028</u>	<u>\$ 45,097,556</u>	<u>\$ 43,129,786</u>
\$ (30,070,875)	\$ (29,857,778)	\$ (31,897,707)	\$ (33,703,981)	\$ (32,306,441)	\$ (39,076,857)
1,413,221	2,459,116	1,584,881	746,812	652,906	514,596
<u>\$ (28,657,654)</u>	<u>\$ (27,398,662)</u>	<u>\$ (30,312,826)</u>	<u>\$ (32,957,169)</u>	<u>\$ (31,653,535)</u>	<u>\$ (38,562,261)</u>

(Continued)

CITY OF LA HABRA
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Taxes:				
Property taxes	\$ 16,127,594	\$ 16,153,525	\$ 15,575,910	\$ 15,512,868
Sales and use taxes	10,298,735	8,900,156	7,669,656	8,116,354
Transaction and use taxes	-	888,150	3,572,975	3,882,815
Franchise tax	1,377,380	1,451,228	1,492,703	1,534,468
Utility users tax	2,854,515	-	-	-
Grants and contributions not restricted to specific programs	619,065	492,053	453,076	580,840
Income from property and investments	3,473,466	2,808,384	2,962,495	3,280,649
Other general revenues	309,139	1,294,471	577,174	1,169,235
Extraordinary gain (loss)	-	-	-	-
Special item	-	-	-	-
Transfers	(32,500)	(20,000)	3,237	14,973
Total governmental activities	<u>35,027,394</u>	<u>31,967,967</u>	<u>32,307,226</u>	<u>34,092,202</u>
Business-type activities:				
Income from property and investments	123,242	1,016,045	552,883	386,167
Other general revenues	-	-	-	132,276
Transfers	32,500	20,000	(3,237)	(14,973)
Total business-type activities	<u>155,742</u>	<u>1,036,045</u>	<u>549,646</u>	<u>503,470</u>
Total primary government	<u>\$ 35,183,136</u>	<u>\$ 33,004,012</u>	<u>\$ 32,856,872</u>	<u>\$ 34,595,672</u>
Change in Net Position				
Governmental activities	\$ 9,211,011	\$ (139,707)	\$ 3,696,695	\$ 7,269,441
Business-type activities	2,492,075	1,402,822	1,112,265	1,684,023
Total primary government	<u>\$ 11,703,086</u>	<u>\$ 1,263,115</u>	<u>\$ 4,808,960</u>	<u>\$ 8,953,464</u>

Source: Finance Office, City of La Habra

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 14,175,467	\$ 13,333,682	\$ 13,235,491	\$ 14,389,424	\$ 14,996,789	\$ 16,117,190
8,490,350	9,033,667	9,593,316	9,639,019	10,997,991	9,837,648
4,215,209	4,430,751	4,701,077	4,933,170	5,040,708	5,075,039
1,561,518	1,580,176	1,607,535	1,679,113	1,653,002	1,650,001
-	-	-	-	-	-
316,262	325,718	84,906	58,365	84,051	85,223
3,175,312	2,790,519	2,664,660	2,808,233	3,042,625	2,641,722
1,123,908	1,253,294	1,094,588	1,495,060	1,340,148	1,655,926
8,194,111	-	(1,224,331)	(257,567)	-	-
-	-	-	-	-	6,416,232
557,409	51,592	249,824	60,000	126,177	145,000
<u>41,809,546</u>	<u>32,799,399</u>	<u>32,007,066</u>	<u>34,804,817</u>	<u>37,281,491</u>	<u>43,623,981</u>
273,456	30,416	152,270	127,071	220,785	48,994
366,303	366,303	398,879	339,689	306,565	341,028
(557,409)	(51,592)	(249,824)	(60,000)	(126,177)	(145,000)
82,350	345,127	301,325	406,760	401,173	245,022
<u>\$ 41,891,896</u>	<u>\$ 33,144,526</u>	<u>\$ 32,308,391</u>	<u>\$ 35,211,577</u>	<u>\$ 37,682,664</u>	<u>\$ 43,869,003</u>
\$ 11,738,671	\$ 2,941,621	\$ 109,359	\$ 1,100,836	\$ 4,975,050	\$ 4,547,124
1,495,571	2,804,243	1,886,206	1,153,572	1,054,079	759,618
<u>\$ 13,234,242</u>	<u>\$ 5,745,864</u>	<u>\$ 1,995,565</u>	<u>\$ 2,254,408</u>	<u>\$ 6,029,129</u>	<u>\$ 5,306,742</u>

CITY OF LA HABRA, CALIFORNIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011 ⁽¹⁾
General fund				
Reserved	\$ 11,007,923	\$ 10,105,173	\$ 9,321,926	\$ -
Unreserved	2,882,494	3,067,881	3,792,796	-
Nonspendable	-	-	-	9,270,571
Restricted	-	-	-	-
Unassigned	-	-	-	4,604,127
Total general fund	<u>\$ 13,890,417</u>	<u>\$ 13,173,054</u>	<u>\$ 13,114,722</u>	<u>\$ 13,874,698</u>
All other governmental funds				
Reserved	\$ 7,105,221	\$ 11,841,774	\$ 7,105,637	\$ -
Unreserved undesignated, reported in:				-
Special revenue funds	(5,811,745)	(10,520,112)	(9,312,632)	-
Capital projects funds	8,490,640	3,272,567	2,353,870	-
Nonspendable	-	-	-	619,271
Restricted	-	-	-	15,814,036
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 9,784,116</u>	<u>\$ 4,594,229</u>	<u>\$ 146,875</u>	<u>\$ 4,526,732</u>

Source: Finance Office, City of La Habra

⁽¹⁾ During fiscal year ended June 30, 2011, the City adopted GASB Statement 54 which established new categories for fund balance.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
9,191,664	8,716,824	8,159,022	8,169,482	7,406,791	6,311,389
-	-	-	-	418,195	269,912
5,308,531	5,732,904	6,265,883	6,333,144	984,505	2,197,789
<u>\$ 14,500,195</u>	<u>\$ 14,449,728</u>	<u>\$ 14,424,905</u>	<u>\$ 14,502,626</u>	<u>\$ 8,809,491</u>	<u>\$ 8,779,090</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,454	-	-	-	9,000	-
13,204,678	9,768,600	7,598,774	8,934,777	12,848,248	14,955,457
-	4,658,192	5,856,196	7,259,633	6,608,111	689,121
<u>\$ 13,210,132</u>	<u>\$ 14,426,792</u>	<u>\$ 13,454,970</u>	<u>\$ 16,194,410</u>	<u>\$ 19,465,359</u>	<u>\$ 15,644,578</u>

CITY OF LA HABRA, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Property taxes and special assessments	\$ 16,127,594	\$ 16,153,525	\$ 15,575,909	\$ 15,512,868
Sales and use tax	10,298,735	8,900,156	7,599,507	8,100,193
Utility users tax	2,854,516	-	-	-
Franchise tax	-	-	-	1,539,147
Transaction and use tax	-	888,150	3,321,233	4,009,945
Intergovernmental	16,337,771	15,173,403	20,044,668	24,638,521
Licenses and permits	2,533,955	2,289,291	2,377,893	831,524
Charges for services	4,320,099	4,017,259	4,173,764	4,750,030
Fines, forfeitures and penalties	922,284	1,019,890	1,079,904	933,279
Use of money and property	2,806,572	2,751,588	2,519,807	3,781,727
Other revenues	-	-	-	-
Total revenue	<u>56,201,526</u>	<u>51,193,262</u>	<u>56,692,685</u>	<u>64,097,234</u>
Expenditures				
General government	3,776,287	3,054,085	2,669,815	2,637,466
Intergovernmental	14,426	2,949	-	-
Public safety	20,934,105	22,606,775	22,085,922	22,124,819
Public works	5,523,703	5,762,012	9,892,445	10,442,627
Community services	8,692,718	8,889,298	9,460,145	8,712,935
Community development	5,570,152	5,847,794	4,606,713	5,471,205
Intergovernmental - SERAF payment	-	-	892,557	183,762
Capital outlay	3,805,470	10,281,332	8,309,750	6,176,601
Debt service:				
Principal	404,466	430,552	452,158	608,560
Interest expense	1,029,198	891,714	1,082,957	1,456,522
Total expenditures	<u>49,750,525</u>	<u>57,766,511</u>	<u>59,452,462</u>	<u>57,814,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,451,001</u>	<u>(6,573,249)</u>	<u>(2,759,777)</u>	<u>6,282,737</u>
Other financing sources (uses)				
Issuance of debt	-	-	-	1,450,000
Proceeds from note payable	-	-	-	-
Proceeds from sale of property	-	790,000	-	-
Transfers in	1,900,351	2,331,551	3,813,715	6,029,430
Transfers out	(2,832,851)	(2,455,552)	(3,876,746)	(7,104,090)
Total other financing sources (uses)	<u>(932,500)</u>	<u>665,999</u>	<u>(63,031)</u>	<u>375,340</u>
Special item	-	-	-	-
Extraordinary gain (loss)	-	-	-	-
Net change in fund balances	<u>\$ 5,518,501</u>	<u>\$ (5,907,250)</u>	<u>\$ (2,822,808)</u>	<u>\$ 6,658,077</u>
Debt service as a percentage of noncapital expenditures	3.26%	2.71%	3.04%	4.00%

Source: Finance Office, City of La Habra

		Fiscal Year					
		2012	2013	2014	2015	2016	2017
\$	14,175,467	\$ 13,333,682	\$ 13,235,491	\$ 14,389,424	\$ 14,996,789	\$ 16,117,190	
	8,470,140	9,095,047	9,491,508	9,654,374	10,690,774	10,235,873	
	-	-	-	-	-	-	
	1,560,043	1,581,719	1,592,572	1,660,284	1,662,712	1,680,204	
	4,217,599	4,496,894	4,567,116	5,037,656	4,994,922	5,063,240	
	13,231,750	12,519,619	12,678,220	12,176,593	12,816,180	11,994,355	
	983,459	1,328,317	1,223,155	914,722	4,394,608	1,553,900	
	4,097,698	4,783,686	4,533,679	4,862,176	5,275,163	5,296,267	
	818,988	721,905	1,030,240	986,820	1,133,348	1,140,276	
	2,336,069	2,472,141	2,308,528	2,131,932	2,603,900	2,246,883	
	-	-	-	273,181	125,172	194,236	
	49,891,213	50,333,010	50,660,509	52,087,162	58,693,568	55,522,424	
	2,670,225	2,768,190	2,959,220	2,774,950	2,923,628	3,196,147	
	-	-	-	-	-	-	
	22,681,590	23,221,242	24,094,326	24,757,974	26,535,529	27,512,220	
	3,922,907	4,077,979	4,211,341	6,138,461	5,955,786	7,034,702	
	8,097,168	8,786,491	9,086,497	9,684,484	9,863,500	10,150,275	
	4,608,275	4,008,453	4,531,709	2,199,199	2,050,109	2,921,703	
	-	-	-	-	-	-	
	2,717,895	4,710,527	5,353,232	2,258,563	13,851,464	14,994,359	
	703,163	216,011	230,425	245,632	261,639	278,585	
	858,818	80,618	71,003	60,738	69,753	68,076	
	46,260,041	47,869,511	50,537,753	48,120,001	61,511,408	66,156,067	
	3,631,172	2,463,499	122,756	3,967,161	(2,817,840)	(10,633,643)	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	2,694	-	-	2,620	741,229	
	3,499,171	3,315,381	1,814,128	2,148,984	11,100,887	6,056,274	
	(4,111,485)	(4,615,381)	(2,933,529)	(3,298,984)	(11,317,131)	(6,431,274)	
	(612,314)	(1,297,306)	(1,119,401)	(1,150,000)	(213,624)	366,229	
	-	-	-	-	-	6,416,232	
	6,290,039	-	-	-	-	-	
\$	9,308,897	\$ 1,166,193	\$ (996,645)	\$ 2,817,161	\$ (3,031,464)	\$ (3,851,182)	
	3.59%	0.69%	0.67%	0.66%	0.70%	0.66%	

CITY OF LA HABRA, CALIFORNIA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property (1)	Total Taxable Assessed Value (2)	Total Direct Tax Rate
2008	\$ 3,665,098,412	\$ 578,024,306	\$ 276,420,264	\$ 252,230,096	\$4,771,773,078	0.21732%
2009	3,700,917,522	607,254,122	299,147,783	266,515,101	4,873,834,528	0.21826%
2010	3,470,814,380	676,973,961	344,242,790	215,013,274	4,707,044,405	0.22193%
2011	3,513,333,660	713,436,330	308,220,069	171,182,915	4,706,172,974	0.22228%
2012	3,582,370,115	715,788,296	311,503,414	182,755,433	4,792,417,258	0.22158%
2013	3,641,858,952	732,735,818	321,514,482	161,568,293	4,857,677,545	0.21919%
2014	3,723,700,465	726,134,412	332,901,996	196,557,428	4,979,294,301	0.16576%
2015	4,025,849,465	729,226,483	339,313,741	224,105,072	5,318,494,761	0.16585%
2016	4,319,968,637	794,519,583	348,523,897	195,503,449	5,658,515,566	0.16609%
2017	4,543,905,197	802,823,767	368,807,143	218,620,990	5,934,157,097	0.16609%

(1) Other property includes recreational, institutional, vacant and miscellaneous property.

(2) Tax-exempt property is excluded from the total taxable assessed value.

NOTE.

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

Sources: HdL Coren & Cone; Orange County Assessor's Office

CITY OF LA HABRA, CALIFORNIA
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
City Direct Rates:				
City Basic Rate	1.0000	1.0000	1.0000	1.0000
Total City Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
School System	0.04764	0.04860	0.05359	0.05647
Metropolitan Water District	0.00450	0.00430	0.00430	0.00370
Total Direct Rate	<u>1.05214</u>	<u>1.05290</u>	<u>1.05789</u>	<u>1.06017</u>

Source: Orange County Assessor's Office

Fiscal Year					
2012	2013	2014	2015	2016	2017
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.05362	0.06125	0.05885	0.05654	0.06821	0.08423
0.00370	0.00350	0.00350	0.00350	0.00350	0.00350
<u>1.05732</u>	<u>1.06475</u>	<u>1.06235</u>	<u>1.06004</u>	<u>1.07171</u>	<u>1.08773</u>

CITY OF LA HABRA, CALIFORNIA
Principal Property Taxpayers
Current and Nine Years Ago

Taxpayer	2017		2008	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
CVS Pharmacy Inc	\$ 122,298,561	2.06%	\$ -	0.00%
La Habra Associates LLC	94,735,289	1.60%	-	0.00%
La Habra Westridge Partnership LP	65,479,785	1.10%	-	0.00%
Bex Portfolio Inc	47,233,730	0.80%	-	0.00%
Carefree Communities CA LLC	38,113,345	0.64%	-	0.00%
Fairfield 951 Beach LLC	33,500,000	0.56%	-	0.00%
Ralphs Grocery Company	32,186,099	0.54%	-	0.00%
Bank First Security of Utah Trust	29,455,082	0.50%	-	0.00%
Costco Wholesale Corporation	27,327,878	0.46%	-	0.00%
Essex Hillborough Park LP	26,838,202	0.45%	-	0.00%
CVS Pharmacy Inc	-	0.00%	87,443,262	1.83%
La Habra Associates LLC	-	0.00%	83,138,695	1.74%
La Habra Westridge Partnership LP	-	0.00%	57,860,406	1.21%
Shea Homes LP	-	0.00%	34,311,807	0.72%
Costco Wholesale Corporation	-	0.00%	27,089,921	0.57%
Ralphs Grocery Company	-	0.00%	26,412,283	0.55%
Essex Portfolio	-	0.00%	23,713,379	0.50%
Bank First Security of Utah Trust	-	0.00%	20,934,050	0.44%
New Albertsons Inc	-	0.00%	20,530,261	0.43%
Clipperton Partners Lowes Hiw INC	-	0.00%	18,082,000	0.38%
Top Ten Assessed Value	\$ 517,167,971	8.72%	\$ 399,516,064	8.37%
Total Assessed Value	<u>\$ 5,934,157,097</u>		<u>\$ 4,773,243,225</u>	

Source: Orange County Assessor's Office, HdL Coren & Cone

The amounts shown above include assessed value data for both the City and the Successor or the Redevelopment Agency.

CITY OF LA HABRA, CALIFORNIA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date (1)	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	11,581,270	11,312,879	97.68%	40,478	11,353,357	98.03%
2009	11,484,540	11,087,232	96.54%	62,236	11,149,467	97.08%
2010	11,119,314	10,827,627	97.38%	34,366	10,861,993	97.69%
2011	11,140,486	10,788,148	96.84%	16,586	10,804,734	96.99%
2012	11,306,017	10,758,711	95.16%	17,641	10,776,352	95.32%
2013 (2)	8,334,410	8,030,762	96.36%	8,127	8,038,889	96.45%
2014	8,685,217	8,536,194	98.28%	9,463	8,545,657	98.39%
2015	9,045,671	8,753,150	96.77%	12,586	8,765,736	96.91%
2016	9,764,530	9,603,338	98.35%	12,836	9,616,174	98.48%
2017	10,221,070	9,906,814	96.93%	65,013	9,971,827	97.56%

Source: Orange County Auditor Controller's Office

NOTE: □ The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Property Tax amounts reclassified/corrected to agree to how presented in the audited financial statements.

(1) Net collections excludes deductions for refunds, delinquencies and impounds. □

(2) Beging February 1, 2012, the property tax revenues of the former La Habra Redevelopment Agency are now accounted for in the Successor Agency to the La Habra Redevelopment Agency

CITY OF LA HABRA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation	Tax Allocation Bonds (2)	Special Tax Bonds (2)	Notes Payable	Loan Payable	Contract and Lease Payable
2008	\$ 4,942,977	\$ 7,205,000	\$ 2,320,000	\$ 613,856	\$ 902,515	\$ 1,095,345
2009	4,710,242	7,080,000	2,180,000	573,507	831,620	1,041,037
2010	4,467,502	6,950,000	2,035,000	531,199	757,897	979,910
2011	4,209,751	6,795,000	1,880,000	1,827,692	681,234	911,520
2012	3,947,011	-	-	440,321	601,581	835,402
2013	3,669,271	-	-	391,547	518,682	751,064
2014	3,381,531	-	-	340,405	432,476	693,341
2015	3,073,791	-	-	286,780	342,831	590,979
2016	2,751,051	-	-	230,552	249,642	6,078,757
2017	2,413,311	-	-	171,594	152,704	5,956,068

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

- (1) These ratios are calculated using personal income and population for the prior calendar year. The statistical data ratios for all prior years have been revised to reflect City data rather than County.
- (2) For fiscal year ended June 30, 2012, outstanding long-term debts of the La Habra RDA were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of Redevelopment Agencies in California.

Source: HdL Coren & Cone

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	Total Governmental Long-term Debt	Certificates of Participation	Revenue Bonds	Total Business-type Activities				
2008	\$ 17,079,693	\$ 16,970,062	\$ 6,900,000	\$ 23,870,062	\$40,949,755	2.74%	\$ 661	
2009	16,416,406	16,177,823	6,745,000	22,922,823	39,339,229	2.59%	631	
2010	15,721,508	13,793,909	6,585,000	20,378,909	36,100,417	2.43%	575	
2011	16,305,197	14,134,848	26,095,000	40,229,848	56,535,045	3.82%	895	
2012	5,824,315	13,914,290	25,655,000	39,569,290	45,393,605	3.03%	746	
2013	5,330,564	13,688,731	25,205,000	38,893,731	44,224,295	2.99%	723	
2014	4,847,753	14,792,948	40,352,412	55,145,360	59,993,113	4.13%	972	
2015	4,294,381	14,502,389	39,571,957	54,074,346	58,368,727	3.89%	946	
2016	9,310,002	14,206,831	38,781,502	52,988,333	62,298,335	3.96%	1,004	
2017	8,693,677	13,901,272	37,966,047	51,867,319	60,560,996	3.66%	975	

CITY OF LA HABRA, CALIFORNIA
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value (1)	Per Capita
	General Obligation Bonds	Tax Allocation Bonds (2)	Total		
2008	n/a	\$ 7,205,000	\$ 7,205,000	0.15%	116
2009	n/a	7,080,000	7,080,000	0.15%	114
2010	n/a	6,950,000	6,950,000	0.15%	111
2011	n/a	6,795,000	6,795,000	0.14%	108
2012	n/a	-	-	-	-
2013	n/a	-	-	-	-
2014	n/a	-	-	-	-
2015	n/a	-	-	-	-
2016	n/a	-	-	-	-
2017	n/a	-	-	-	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

- (1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.
- (2) For fiscal year ended June 30, 2012, outstanding long-term debts of La Habra RDA were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of Redevelopment Agencies in California.

CITY OF LA HABRA, CALIFORNIA
Direct and Overlapping Debt
June 30, 2017

2015-16 Assessed Valuation	\$ 5,941,516,884
Redevelopment Incremental Valuation	-
Adjusted Assessed Valuation	\$ 5,941,516,884

	%age Applicable (1)	Outstanding Debt June 30, 2017	Estimated Share of Overlapping Debt June 30, 2017
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.230%	\$ 74,905,000	\$ 172,282
North Orange County Joint Community College District	5.023%	240,284,001	12,069,465
Fullerton Joint Union High School District	18.735%	126,837,910	23,763,082
La Habra City School District	81.605%	21,991,369	17,946,057
City of La Habra Community Facilities District No. 1990-1	100.000%	735,000	735,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 54,685,886
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	1.132%	\$ 227,516,000	\$ 2,575,481
Orange County Pension Obligations	1.132%	386,762,539	4,378,152
Orange County Board of Education Certificates of Participation	1.132%	14,440,000	163,461
Municipal Water District of Orange County Water Facilities Corporation			
North Orange County Regional Occupation Program Certificate of Participation	5.171%	9,910,000	512,446
Fullerton Joint Union High School District Certificates of Participation	18.735%	19,920,000	3,732,012
City of La Habra Lease Financing	100.000%	5,600,000	5,600,000
City of La Habra Certificate of Participation	100.000%	2,425,000	2,425,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 19,386,552
<u>OVERLAPPING TAX INCREMENTAL DEBT (Successor Agency):</u>	100.000%	\$ 4,715,000	\$ 4,715,000
TOTAL DIRECT DEBT			\$ 8,025,000
TOTAL OVERLAPPING DEBT			\$ 70,762,438
COMBINED TOTAL DEBT (2)			\$ 78,787,438

(1) The Percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentage were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 0.92%

Ratios to Adjusted Assessed Valuation:

Total Direct Debt (\$ 8,025,000).....0.14%

Combined Total Debt.....1.56%

Ratios to Redevelopment Incremental Valuation (\$449,486,136):

Total Overlapping Tax Increment Debt..... 1.05%

Source: California Municipal Statistics, Inc.

CITY OF LA HABRA, CALIFORNIA
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Total Assessed Value of all Real and Personal Property	\$ 4,773,433,708	\$ 4,876,737,977	\$4,708,919,643	\$4,700,690,212
Debt Limit Percentage	15.00%	15.00%	15.00%	15.00%
Total Debt Limit (1)	716,015,056	731,510,697	706,337,946	705,103,532
Amount of Debt Applicable to Debt Limit (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal Debt Margin	<u>\$ 716,015,056</u>	<u>\$ 731,510,697</u>	<u>\$ 706,337,946</u>	<u>\$ 705,103,532</u>

(1) - In accordance with California Government Code Section 43605, general obligation bonds outstanding cannot exceed 15 percent of total assessed valuation.

(2) - The City currently has no general bonded indebtedness.

Source: City Finance Department
Orange County Assessor's Office

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$4,792,478,144	\$4,857,042,662	\$4,979,748,482	\$5,318,494,761	\$5,658,515,566	\$5,934,157,097
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
718,871,722	728,556,399	746,962,272	797,774,214	848,777,335	890,123,565
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 718,871,722</u>	<u>\$ 728,556,399</u>	<u>\$ 746,962,272</u>	<u>\$ 797,774,214</u>	<u>\$ 848,777,335</u>	<u>\$ 890,123,565</u>

CITY OF LA HABRA, CALIFORNIA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 10,207,199	\$ 8,021,077	\$ 2,186,122	\$ 155,000	\$ 314,634	4.65
2009	9,889,342	7,889,321	2,000,021	155,000	311,244	4.29
2010	10,759,475	8,421,183	2,338,292	160,000	307,400	5.00
2011	12,228,026	8,186,833	4,041,193	165,000	763,140	4.35
2012	12,769,148	8,107,006	4,662,142	440,000	1,569,580	2.32
2013	13,411,940	6,880,724	6,531,216	450,000	1,447,239	3.44
2014	14,013,649	7,980,760	6,032,889	465,000	1,965,215	2.48
2015	13,770,912	8,877,570	4,893,342	735,000	2,157,655	1.69
2016	12,248,305	7,653,816	4,594,489	745,000	2,137,630	1.59
2017	13,070,618	7,511,679	5,558,939	770,000	2,114,117	1.93

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, amortization, and the lease payment to the city.

Certificate of Participation, Series A

Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 2,539,842	\$ 792,238	\$ 1,747,604	\$ 706,416	\$ 867,682	1.11
2,615,717	788,007	1,827,710	718,007	858,749	1.16
2,595,730	1,045,302	1,550,428	735,047	852,152	0.98
2,614,922	1,026,535	1,588,387	-	688,981	2.31
2,633,169	1,047,143	1,586,026	285,000	736,769	1.55
2,683,325	1,068,889	1,614,437	290,000	733,169	1.58
2,736,650	1,268,626	1,468,024	295,000	728,413	1.43
2,772,644	1,247,469	1,525,175	300,000	722,831	1.49
2,792,492	1,224,794	1,567,698	305,000	716,019	1.54
2,841,649	1,243,808	1,597,841	315,000	707,481	1.56

(Continued)

CITY OF LA HABRA
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds (1)					
	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$2,343,944	\$1,038,171	\$1,305,773	\$ 120,000	\$ 411,000	2.46
2009	2,361,818	1,431,419	930,399	125,000	405,180	1.75
2010	2,447,870	2,055,699	392,171	130,000	398,995	0.74
2011	2,446,322	1,614,675	831,647	155,000	391,935	1.52
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-

(1) For the fiscal year ended June 30, 2012, outstanding long term debts of the Redevelopment Agency was transferred to the Successor Agency on February 1, 2012, as a result of dissolution of redevelopment agencies of California.

Special Tax Bonds (1)

Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest	
\$ 278,857	\$ 7,834	\$ 271,023	\$ 130,000	\$ 140,460	1.00
279,876	8,073	271,803	140,000	133,235	0.99
278,485	8,463	270,022	145,000	125,468	1.00
286,596	8,705	277,892	155,000	117,140	1.02
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

CITY OF LA HABRA, CALIFORNIA
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	61,973	1,496,367	24,145	4.4%
2008	62,309	1,518,571	24,372	6.0%
2009	62,747	1,484,763	23,663	10.1%
2010	63,184	1,479,959	23,423	10.8%
2011	60,871	1,497,853	24,607	9.8%
2012	61,202	1,478,212	24,153	6.4%
2013	61,717	1,452,756	23,539	5.7%
2014	61,705	1,500,974	24,325	6.2%
2015	62,064	1,573,133	25,346	5.1%
2016	62,084	1,656,119	26,675	4.6%

Source: HdL Coren & Cone

CITY OF LA HABRA, CALIFORNIA
Principal Employers
Current Year and Nine Years Ago

Employer	2017		2008	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
CVS Pharmacy	940	10.23%		
Wal-Mart/Sams Stores Inc.	778	8.47%	511	1.69%
City of La Habra	409	4.45%	430	1.42%
Costco	335	3.65%	266	0.88%
Target Stores	182	1.98%	260	0.86%
Home Depot	177	1.93%	162	0.54%
Kohl's Department Stores Inc.	145	1.58%	150	0.50%
Payne's Janitorial Services	141	1.53%		
VIP Rubber Company Inc.	140	1.52%	116	0.38%
Lowe's Home Centers Inc.	120	1.31%	139	0.46%
The Kroger Co./La Habra Bakery			265	0.88%
Peerless Maintenance Service			20	0.07%
Mary & Friends			20	0.07%

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

Source: Business License Dept.
EDD Labor Market Info.

CITY OF LA HABRA, CALIFORNIA
Full-time Equivalent City Employees
by Function/Department
Last Ten Fiscal Years

Function/Department	Full-time Equivalent Employees									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City Manager	5.50	4.50	3.50	3.75	3.75	3.75	4.75	2.59	2.59	2.59
City Clerk	3.00	3.00	3.00	3.00	2.53	2.75	2.75	4.90	4.31	4.41
Community Development	21.29	22.29	30.37	28.84	30.70	32.85	21.76	21.19	23.03	19.93
Community Services	100.24	107.52	104.21	99.25	94.50	101.67	103.23	111.39	118.12	122.95
Finance/Administrative Services	20.12	20.12	21.07	21.82	22.45	23.82	23.04	23.08	22.54	22.74
Police	127.05	124.21	124.96	120.68	121.76	119.21	120.44	124.16	123.52	125.05
Public Works	67.59	66.87	59.31	54.24	54.50	45.22	65.34	69.58	69.80	70.31
Children's Museum	<u>6.50</u>	<u>8.01</u>	<u>7.02</u>	<u>7.89</u>	<u>6.19</u>	<u>9.53</u>	<u>6.29</u>	<u>6.58</u>	<u>8.73</u>	<u>8.73</u>
Total	<u>351.29</u>	<u>356.52</u>	<u>353.44</u>	<u>339.47</u>	<u>336.38</u>	<u>338.80</u>	<u>347.60</u>	<u>363.47</u>	<u>372.64</u>	<u>376.71</u>

Source: City of La Habra, Finance Department

CITY OF LA HABRA, CALIFORNIA
Operating Indicators
by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Arrests	2,494	2,472	2,438	2,087	2,285	2,238	2,039	2,015	2,141	2,134
Crime Reports	8,190	8,363	7,932	7,786	6,909	6,465	6,334	6,261	6,948	6,933
Moving citations issued	7,845	10,801	8,771	7,683	5,070	5,859	7,845	6,439	6,569	6,767
Parking citations issued	17,051	16,386	14,617	10,546	8,389	10,452	11,644	12,979	16,756	16,405
Fire										
Number of emergency calls	3,293	3,581	3,814	3,418	3,527	3,549	3,697	3,984	4,309	4,259
Public Works										
Street resurfacing (miles)	15	6	7	9	11	11	8	-	-	-
Community development										
Building Permits Issued	1,340	1,614	1,866	1,747	1,786	1,818	1,818	1,871	2,593	1,878
Building Inspections	4,061	3,424	3,242	3,922	3,422	3,170	3,170	3,200	4,260	3,843
Building Plan Checks	300	191	175	176	166	191	191	351	453	382
Parks and recreation:										
Number of Parks	24	24	24	24	24	25	25	25	25	24
Park Acreage	133.66	133.66	133.66	133.66	133.66	134.37	134.37	134.37	134.37	134.35
Municipal Water Department										
Number of Accounts	12,584	12,569	12,638	12,656	12,614	12,620	13,100	13,121	13,131	13,137
Average daily consumption (thousands of gallons)	9,287	7,825	7,268	7,108	7,435	8,092	8,257	7,978	6,688	6,864

Source: City of La Habra, Finance Department

CITY OF LA HABRA, CALIFORNIA
Capital Asset Statistics
by Function
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	4	4	4	4	4	4	4	4	4	4
Public works:										
Streets (miles)	108	108	108	108	108	108	108	108	108	108
Streetlights	2,637	2,635	2,635	2,510	2,537	2,540	2,523	2,527	2,529	2,531
Traffic signals	34	34	34	34	34	34	35	35	35	35
Parks and recreation:										
Parks	24	24	24	24	24	25	25	25	25	25
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	130	130	130	130	130	130	158	158	158	158
Sewer										
Sanitary sewers (miles)	108	108	108	108	108	108	126	126	126	126

Source: City of La Habra, Finance Department

CITY OF LA HABRA, CALIFORNIA
Water Service By Type of Customer
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water Services										
Residential	11,478	11,475	11,549	11,565	11,519	11,530	12,012	12,032	\$ 12,055	\$ 12,053
Commercial/Industrial	842	830	827	824	817	812	807	807	791	795
Schools/Other	264	264	262	267	278	278	281	282	285	289
Total	<u>12,584</u>	<u>12,569</u>	<u>12,638</u>	<u>12,656</u>	<u>12,614</u>	<u>12,620</u>	<u>13,100</u>	<u>13,121</u>	<u>\$ 13,131</u>	<u>\$ 13,137</u>

Source: City of La Habra

CITY OF LA HABRA, CALIFORNIA
Water Rates
Last Two Fiscal Years

Adopted: 11/16/15
 Effective: 01/01/16

Meter Size	2016		2017	
	Monthly Meter Charge	Water Consumption Charge (1)	Monthly Meter Charge	Water Consumption Charge
5/8 inch	\$ 12.40	\$ 2.78	\$ 12.92	\$ 2.90
3/4 inch	14.01	\$ 2.78	14.60	\$ 2.90
1 inch	18.09	\$ 2.78	18.85	\$ 2.90
1-1/2 inches	41.55	\$ 2.78	43.30	\$ 2.90
2 inches	72.04	\$ 2.78	75.07	\$ 2.90
3 inches	162.09	\$ 2.78	168.90	\$ 2.90
4 inches	286.89	\$ 2.78	298.94	\$ 2.90
6 inches	645.55	\$ 2.78	672.66	\$ 2.90
8 inches	728.42	\$ 2.78	759.01	\$ 2.90

Source: City of La Habra

CITY OF LA HABRA, CALIFORNIA
Average Monthly Water Service Rate Comparison
Last Two Fiscal Years

Water Agency	FY 2016				FY 2017			
	Usage (in ccf's)	Commodity Charge	Readiness to Serve	Total Bill	Usage (in ccf's)	Commodity Charge	Readiness to Serve	Total Bill
La Habra	25	\$ 2.78	\$ 12.40	\$ 81.90	25	\$ 2.90	\$ 12.92	\$ 85.42
Brea (Tiered Rate)	1-10	2.79	9.66		1-10	3.31	13.48	
Brea (Tiered Rate)	11-20	3.92			11-20	4.35		
Brea (Tiered Rate)	21-25	4.99		101.71	21-25	5.77		118.93
Fullerton (Tiered Rate)	1-10	2.90	10.78		1-5	3.00		
Fullerton (Tiered Rate)	11-25	3.19			6-13	3.30		
Fullerton (Tiered Rate)		3.47		89.81	13-25	3.58	12.78	97.12
La Habra Heights (Lower Zone)	25	1.66	29.23	70.73	25	1.74	32.15	75.65
La Habra Heights (Higher Zone)	25	1.88	29.23	76.23	25	1.96	32.15	81.15
Suburban Water System	1-20	2.52	12.46		1-20	2.65		
Suburban Water System (La Mirada & Whittier)	5	2.78		76.71	5	2.93	13.11	80.76
Whittier (3/4 meter)	25	1.76	33.62	77.62	25	1.76	40.35	84.35

Source: City of La Habra

CITY OF LA HABRA, CALIFORNIA
Ten Largest Users of Water
Current and Last Year

Customer	2017		2016	
	12 Month Consumption (100 Cubic Feet)	Percentage of Total Consumption	12 Month Consumption (100 Cubic Feet)	Percentage of Total Consumption
Westridge Golf, Inc.	91,539	2.73%	97,123	2.98%
Cal Domestic	89,813	2.68%	90,191	2.76%
City of La Habra	79,785	2.38%	77,610	2.38%
La Habra School District	50,523	1.51%	53,596	1.64%
Tapestry	42,985	1.28%	25,881	0.79%
Westridge Community Association	30,936	0.92%	30,101	0.92%
Heritage HOA	29,543	0.88%	25,771	0.79%
Sunny Hills HOA	24,518	0.73%	18,481	0.57%
Brooklake Apartments	24,240	0.72%	23,528	0.72%
Whittier Christian High School	20,758	0.62%	21,372	0.65%
Total Consumption in 100 CCF		<u>3,349,508</u>		<u>3,263,714</u>

Source: City of La Habra