

CITY OF LA HABRA HEIGHTS
 COMPREHENSIVE
 ANNUAL FINANCIAL
 REPORT
 JUNE 30, 2018



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CITY OF LA HABRA HEIGHTS,
CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018

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CITY OF LA HABRA HEIGHTS
 Comprehensive Annual Financial Report
 Year Ended June 30, 2018

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City of La Habra Heights
1245 N. Hacienda Road
La Habra Heights, CA 90631
(562) 694-6302
www.lhcity.org

October 10, 2018

To the Residents of La Habra Heights:

It is with great pleasure that I present to you the City of La Habra Heights' Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) 2017/18. This report has been prepared by the City's Finance Department, and is presented for your information. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018 and in conformity with Generally Accepted Accounting Principles (GAAP).

The report consists of management representations concerning the finances of the City. Consequently, responsibility for preparation of the CAFR, accuracy of the data, and completeness and fairness of the presentation, rests with the City's management. In order to provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements. Because the cost of internal controls should not exceed anticipated benefits, the objective of the City's comprehensive framework of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City of La Habra Heights. All disclosures necessary to enable an understanding of the City's financial activities have been included.

The independent accounting firm of Gruber and Associates (Auditors) performed the annual financial audit, which was designed to meet the requirements of government auditing standards. The goal of the independent audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The Auditors have issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2018. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report, provides a narrative introduction of "financial highlights", and interprets the financial reports by analyzing trends and explaining changes, fluctuations, and variances in the financial data. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE CITY

The City of La Habra Heights is located just 25 miles southeast of downtown Los Angeles. It is a picturesque community comprised of hillside estates, grasslands, oak woodlands, avocado and citrus groves, riding trails, and panoramic views. Parcels are large, minimum one-acre lots, with a combination of residential, agricultural, and open space areas. The narrow, winding roads and virtually non-existent sewer and storm drain system enhance the rural nature of the community.

The Heights incorporated in 1978 in an effort to preserve our entirely residential, rural atmosphere. The community consists of 6.2 square miles and 5,454 residents. Volunteerism is alive in the Heights with some residents staffing the 60+ year old Fire Department and working to preserve the unique scenic beauty and wildlife through several community organizations. Demographically, the community is well educated, mid-to-upper income, and politically conservative. Citizen participation in the City planning and governmental processes is very high, founded largely on a strong sense of community identification.

The City operates under the Council-Manager form of government. The City Council is comprised of five members elected for staggered four-year terms of office. The Mayor and Mayor Pro Tem are selected by the Council from among its members to serve one-year terms. The Council acts as the legislative and policy-making body of the City, enacting all laws and directing City staff, to provide for the general welfare of the community.

The City Manager is appointed by the City Council and is the administrative official responsible for overseeing the operations of the City and implementing the policy decisions made by the City Council. The City Attorney and volunteer City Treasurer are also appointed by the City Council. All other staff is hired by the City Manager.

The annual budget is adopted by July 1st for all funds of the City on a basis consistent with GAAP, which serves as the foundation for the City's financial planning and control. The budget is monitored to ensure compliance with legal provisions embodied in the budget as approved or amended by the City Council throughout the year. City staff is responsible for monitoring the budgets for all funds, and the City Manager and Finance Manager perform a mid-year budget review to ensure compliance with City Council direction. The mid-year budget is then reviewed by the City Council and consideration is given to necessary adjustments to ensure that expenditures and revenues are in line with the budgeted projections. The budget is adopted at the fund and department level. The City Manager is authorized to make transfers between account codes and departments within each fund. However, transfers between funds or overall increase in the budget need approval from the City Council. Therefore, the legal level of budgetary control is at the fund level.

LOCAL ECONOMY

The local economy in the City of La Habra Heights continues to improve since the recession. The City's largest revenue source is taxes, which annually comprise between 60%-70% of total General Fund revenue.

Other major revenue sources to the City of La Habra Heights include Charges for Services and Licenses and Permits.

The City also receives significant revenue streams through the State of California and Los Angeles Metro. These include gasoline taxes and restricted sales taxes, both of which are apportioned based upon population.

LONG-TERM FINANCIAL PLANNING

As of June 30, 2018, the City had a General Fund reserve amount of \$5,655,745 for economic uncertainties in the unassigned fund balance. Also, the City has set aside fund balances of \$150,000 for infrastructure (Roads, Sewers, Parks) replacement, \$200,000 for equipment (fire and city vehicles) replacement, \$50,000 for civic (city hall, fire station, gym) facilities, and \$50,000 for accrued leave liability. These assignments and General Fund reserve (unassigned) amounts have been approved by City Council at the recommendation of management to maintain the quality of services within the City of La Habra Heights.

Since incorporation, the City has made a practice of living within its means starting with adopting a balanced budget each year. The City Council, working in conjunction with staff, has adopted its budget without a structural deficit, which has resulted in conservative budget and a fiscally sound City. The City's budget/management tool is developed to reflect the goals and priorities established by the City Council each year. City staff continues to actively pursue outside grants and funding opportunities when possible to uphold the City's reputation for the provision of excellent services for its residents.

RELEVANT FINANCIAL POLICIES

Over the last several years, the City Council has built up a General Fund reserve that now totals \$5,655,745. Pursuant to the financial reserve policy, this amount will not drop below \$3,000,000. A majority vote of the Council is required to use this reserve, and it can only be used in very limited and unusual circumstances. As of June 30, 2018, the reserve is at 177% of General Fund operating expenditures.

SIGNIFICANT EVENTS

In FY 2017/18, the City made significant progress in many areas. The City finalized changing financial institutions, performed a fee study to accurately charge for permits and fees, and formed an Investment Advisory Committee charged with providing oversight of the City's investment program. Other notable items in FY 2017/18 included the initial stages of a large-scale street improvement project and the purchase of a new Type-III fire engine.

AWARDS AND ACKNOWLEDGEMENTS

The GFOA of the United States and Canada offers a Certificate of Achievement for Excellence in Financial Reporting to cities for their Comprehensive Annual Financial Report. This Certificate is a prestigious award, recognizing conformance with the highest standards of state and local government financial report preparation. In order to be awarded the Certificate of Achievement, the City must produce an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and all applicable legal requirements. The City has now received the Award for two straight fiscal years. The City plans on submitting for the Award again this year.

We would like to recognize the assistance of City staff in the preparation of this CAFR with the cooperation of the City's auditors, Gruber and Associates. Through the team effort of the City

Council and staff, the City has been able to maintain a sound financial base from which to operate and continues to provide a high level of service to the residents of La Habra Heights.

Respectfully,



Jarad Hildenbrand
City Manager

**CITY OF LA HABRA HEIGHTS
LIST OF PRINCIPAL OFFICIALS**

CITY COUNCIL

ROY FRANCIS
Mayor

BRIAN BERGMAN
Mayor Pro Tem

JANE WILLIAMS
Council Member

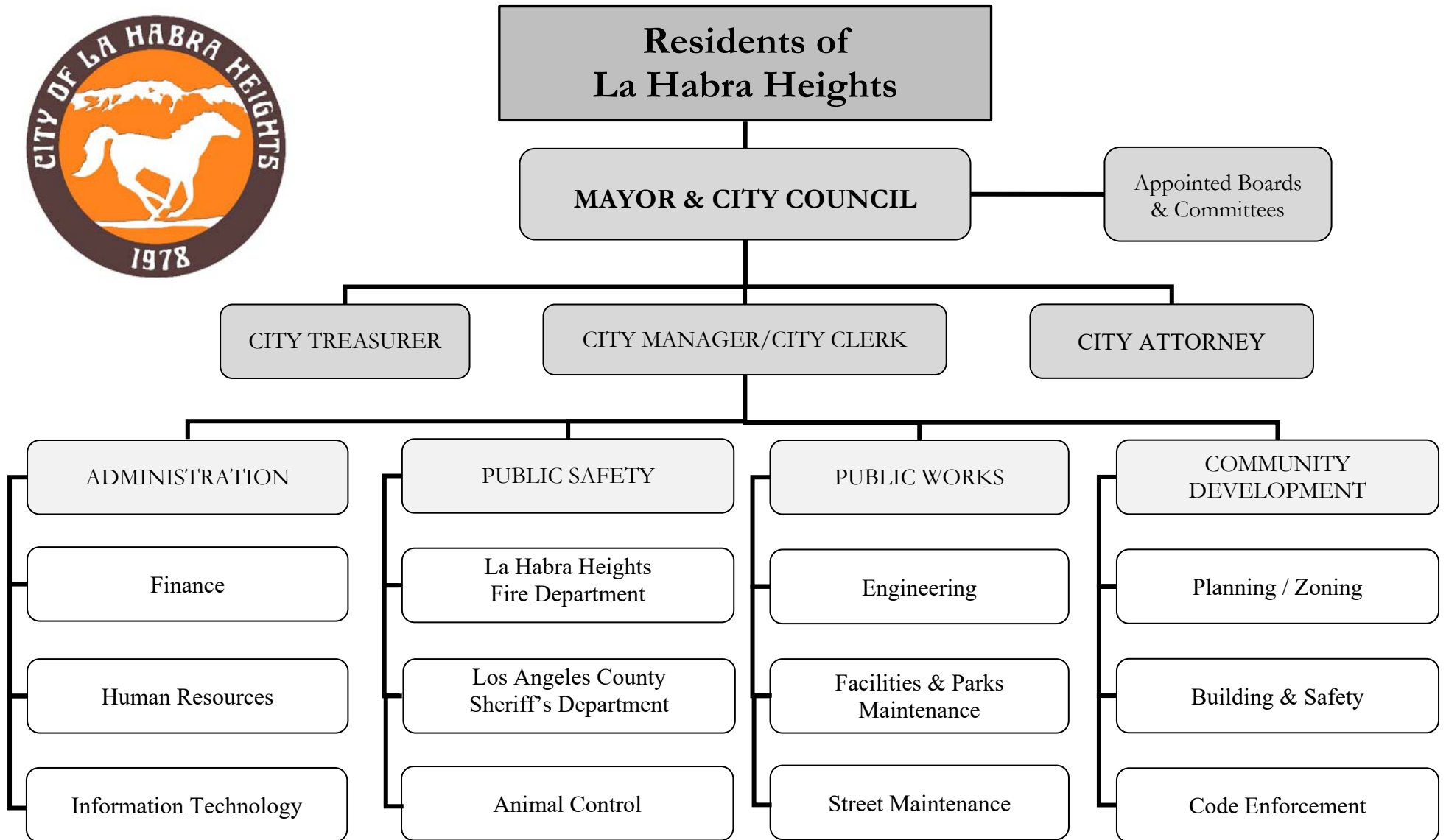
CAREY KLINGFUS
Council Member

NORM ZEZULA
Council Member

CITY ADMINISTRATION

JARAD HILDENBRAND
City Manager

MICHAEL MAURER, City Attorney
FABIOLA HUERTA, Assistant City Manager
ERIC HENDRICKSON, Finance Manager
RAFFERTY WOOLDRIDGE, Principal Planner
CHIEF DOUG GRAFT, Fire Chief





Government Finance Officers Association

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

Presented to

**City of La Habra Heights
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION



An Independent CPA Firm

To the Honorable Mayor and Members of the City Council
City of La Habra Heights, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of La Habra Heights, California (City), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of La Habra Heights, California, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described further in note one to the financial statements, during the year ended June 30, 2018, the City implemented GASB Statement Nos. 75 and 85. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 on our consideration of the City of La Habra Heights' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of La Habra Heights' internal control over financial reporting and compliance.

David L. Gruber and Associates, Inc.
David L. Gruber and Associates, Inc.
Newport Beach, California
October 18, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the City of La Habra Heights for the Fiscal Year ending in June 30, 2018. The MD&A should be read in conjunction with the City Manager's transmittal letter in the introductory section of this report and with the City's financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its liabilities at the close of Fiscal Year 2017-18 by \$13,669,506 (net position). Of this amount, \$7,497,113 is the net investment in capital assets; \$866,840 is restricted for transportation; \$76,488 is restricted for capital projects; \$18,151 is restricted for government access TV service; \$46,538 is restricted for public safety and \$5,164,376 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$622,807 from Fiscal Year 2016-17. Total revenues were \$5,488,358 and total expenditures were \$4,865,551. Of the total revenues, program revenues were \$2,731,727. Program revenues are separated into three categories: Charges for services at \$1,854,531, operating contributions and grants at \$340,228, and capital contributions and grants at \$536,968. General revenues totaled \$2,756,631.
- As of June 30, 2018, the unassigned fund balance for the General Fund was \$5,655,745, or 177% more than the total General Fund expenditures.
- During the fiscal year, the City's General Fund revenues were greater than the final budget by \$204,344 and General Fund expenditures were \$670,244 less than the budget. This results in the total positive budget and actual variance of \$874,588 in the General Fund. This variance is due to the delay in timing of some major street improvement capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the City of La Habra Heights basic financial statements comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances using the full accrual method of

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

The Statement of Net Position presents information on all of the City's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or declining. The Statement of Activities presents information showing how the City's net position changed during the most recent Fiscal Year. Functional activities are highlighted in this statement, whereby direct and indirect function costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

The government-wide financial statements report information on all of the activities of the primary government. Governmental activities are supported by taxes and intergovernmental revenues. All fiduciary activities are reported only in the fund financial statements and are excluded from government-wide financial statements. The governmental activities of the City include general government, public safety, public works, and community development.

The government-wide financial statements only include governmental funds as the City of La Habra Heights does not have Proprietary Funds, Agency Funds, Financing Authority or Housing Successor Agency Funds.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City only has one type of fund financial statements:

Governmental funds statements tell how general government services such as public safety, public works, community development, and parks and recreation were financed in the short term as well as what remains for future spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow each of the governmental funds statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole. As noted earlier, net position over time may serve as a useful indicator of a government's financial position. Additionally, the government-wide financial statements provide short and long-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

At the close of Fiscal Year 2017-18, assets exceeded liabilities by \$13,669,506. The largest portion of the City's net position (54.8 percent) reflects its net investment in capital assets (ie. land, buildings, improvement other than buildings, equipment, infrastructure and construction in progress). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1
NET POSITION
As of June 30, 2018

	Governmental Activities	
	Fiscal Year	
	2016-17	2017-18
Current & other assets	\$ 7,844,436	\$ 8,290,673
Capital assets	7,148,429	7,497,113
Total assets	14,992,865	15,787,786
Deferred Outflows of Resources	504,088	473,128
Long-term debt liabilities	1,464,754	1,660,299
Other liabilities	743,084	813,747
Total liabilities	2,207,838	2,474,046
Deferred Inflows of Resources	144,014	117,362
Net Position		
Net Investment in capital assets	7,148,429	7,497,113
Restricted	1,030,129	1,008,017
Unrestricted	4,966,543	5,164,376
Total Net Position	13,145,101	13,669,506

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

A portion of the City's net position (7.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,164,376) may be used to meet the government's ongoing obligations to citizens and creditors.

Capital assets had a net increase of \$348,684 mainly due to the purchase of a new Type-III fire engine, a new fire department command vehicle, and the Fullerton Road street improvement project.

The City's governmental activities had total long-term liabilities of \$1,660,299, which is an increase of \$195,545. The increase was primarily due to valuation adjustments from the pension liability and the OPEB liability.

The following table indicates the changes in net position for the governmental activities:

TABLE 2
CHANGES IN NET POSITION
As of June 30, 2018

	Governmental Activities	
	Fiscal Year	
	2016-17	2017-18
REVENUES		
Program Revenues:		
Changes for services	\$ 1,707,773	\$ 1,854,531
Operating grants and contributions	192,935	340,228
Capital grants and contributions	674,773	536,968
General Revenues:		
Property taxes	1,977,389	2,048,727
Sales and use tax	37,477	37,075
Franchise taxes	140,682	149,914
Other Taxes	234,685	202,315
Investment earnings	33,103	86,322
Miscellaneous	212,253	232,278
Total revenues	\$ 5,211,070	\$ 5,488,358
EXPENSES		
General government	\$ 1,285,499	\$ 1,385,209
Public safety	2,142,354	2,264,988
Public works	989,417	817,714
Community development	494,129	397,640
Total expenses	4,911,399	4,865,551
Increase in Net Position	299,671	622,807
Beginning Net Position (note 12)	12,845,430	13,046,699
Ending Net Position	13,145,101	13,669,506

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The beginning net position for FY 17-18 was restated from \$13,145,101 to \$13,046,699. The difference of \$98,402 is due to a change in accounting principles for the adoption of GASB 75, related to OPEB liabilities.

The City's revenues totaled \$5,482,112 for Fiscal Year 2017-18 in comparison to \$5,204,822 from the previous year. Of all revenues, \$1,155,841 (21.08%) were derived from special assessments, and \$2,399,195 (43.76%) were received from taxes.

Total revenues increased \$277,290 as the City received new transportation funding from Measure M and SB1 Road Maintenance Rehabilitation Funds.

City expenses for the year totaled \$5,095,564, comprising \$1,139,643 (22.36%) for general government, \$2,208,453 (43.34%) for public safety, \$756,787 (14.85%) for public works, \$397,640 (7.80%) for community development, and \$593,041 (11.65%) for capital outlay.

General government expenditures decreased \$140,975 (11.00%) from the previous fiscal year. The decrease was due to the reduced insurance premium for FY 17-18.

Public safety expenditures increased \$79,749 (3.70%) from the previous fiscal year due to increases in cost from the County Sheriff patrol and a slight increase in Fire Department expenditures.

Public works expenditures increase \$12,641 (1.70%) from the previous fiscal year. The increase is primarily due to the full year of staffing of a new maintenance worker.

Community development expenditures decreased \$96,489 (19.53%) from last year. This decrease is due to sporadic timing of the sale of permits and inspections.

Table 3 presents the cost of each of the City's four largest programs-general government, public safety, public works, and community development, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 3
NET COST OF GOVERNMENTAL ACTIVITIES
 As of June 30, 2018

	Governmental Activities	
	Total Cost	Net Cost
General Government	\$ 1,385,209	\$ 1,371,643
Public Safety	2,264,988	520,686
Public Works	817,714	299,359
Community Development	397,640	(57,864)
Total Expenses	\$ 4,865,551	\$ 2,133,824

The net cost (revenues) of services indicates that the overall cost of government is more (less) than the revenues generated to support it. See the Statement of Activities for further detail on program revenues and general revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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 may be useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the City's governmental funds reported combined fund balances of \$7,401,526, an increase of \$386,548 from the prior year. Of this amount, \$5,655,745 constitutes unassigned fund balance, \$450,000 constitutes assigned fund balance, \$1,026,203 constitutes as restricted fund balance and \$269,578 is non-spendable fund balance. The assigned fund balance encompasses the portion of net fund resources reflecting the government's intended use of resources that are neither restricted nor committed. Please refer to note 13 to basic financial statements for additional detail.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased \$385,275 during the fiscal year. Key factors for this change are as follows:

- Tax revenue increased \$38,081, investment income increased \$45,163, and charges for services increased \$52,150. These increases are due to rising property values, increasing interest rates, and a thriving regional economy. The City's insurance premium decreased approximately \$160,000 in FY 17-18, due to projected changes of workers' compensation matters.
- Personnel costs increased across all departments because the City is now fully staffed, increased healthcare costs, and rising pension contributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental activities amounts to \$7,497,113 (net of accumulated depreciation). This investment in capital assets includes: land, construction in progress, buildings, improvements, infrastructure, machinery and equipment, and vehicles. See Note 5 for more information.

TABLE 4
CAPITAL ASSETS, NET OF DEPRECIATION

As of June 30, 2018

	Fiscal Year	
	2016-17	2017-18
Land	\$ 1,662,310	\$ 1,662,310
Construction in progress	8,770	75,331
Buildings	303,989	261,406
Improvements	1,994,702	1,891,849
Infrastructure	2,831,672	2,883,605
Machinery and equipment	110,720	77,822
Vehicles	236,266	644,790
Total	7,148,429	7,497,113

At June 30, 2018, the City had \$1,704,965 in long-term debt outstanding. The long-term debts outstanding were comprised of the compensated absences, OPEB, and net pension liability. More detailed information is included in Notes 6, 7, and 8 to the financial statements.

TABLE 5
LONG-TERM LIABILITIES

As of June 30, 2018

	Governmental Activities	
	Fiscal Year	
	2016-17	2017-18
Compensated absences	54,890	89,332
OPEB	278,059	384,923
Net pension liability	1,159,250	1,230,710
Total	1,492,199	1,704,965

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of La Habra Heights is a rural canyon community located in Los Angeles County on the border of Orange and Los Angeles County. The zoning is 1-acre lots with a variety of home and ranch style properties. La Habra Heights features open space, no sidewalks, no street lights and encouragement of animal husbandry. La Habra Heights has no commercial activity such as stores or gas stations with the exception of a small real estate office, plant nursery, private golf course and numerous home-based businesses.

The City's 2018-19 budget projections take into account the historical trends and current economic factors. General Fund projected revenues are \$3,174,586 as compared to FY 2017-18 revenues of \$3,421,344, a reduction of \$246,758. A proposed transfer in of \$150,000 from the Supplemental Law Enforcement Services (SLES) fund increases General funds available for expenditure to \$3,324,586 in 2018-19. Property taxes are estimated to rise by \$80,036, other general fund revenues, especially resource production taxes and fire operations revenues, are projected more conservatively.

Operating expenditures have been projected at \$3,061,909, which is an increase \$258,384 over the FY 2017-18 year-end amount of \$2,803,525. The General Fund has budgeted a transfer out of \$236,437, which brings the total expenditure and transfers out amount to \$3,298,346. The FY 2017-18 transfers out was \$382,544, which represents a decrease of \$146,107. This decrease is attributable to the City purchasing a new fire engine in FY 17-18.

The budget may be amended, as necessary, to respond to changing conditions to ensure the City's ongoing fiscal stability. Questions or requests for information regarding the City of La Habra Heights FY 2018-19 adopted budget should be sent to the Finance Department.

REQUESTS FOR INFORMATION

This Management Discussion and Analysis report is designed to provide a general overview of the City of La Habra Heights' finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report, as well as requests for additional financial information, should be addressed to the City Manager, City of La Habra Heights, 1245 N. Hacienda Road, La Habra Heights, California 90631.

CITY OF LA HABRA HEIGHTS

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (note 2)	\$ 7,535,096
Receivable:	
Accounts	328,423
Notes (note 3)	120,066
Accrued interest	37,510
Prepaid items	269,578
Total current assets	<u>8,290,673</u>
Noncurrent assets:	
Capital assets (note 5):	
Non-depreciable	1,737,641
Depreciable, net	5,759,472
Total capital assets	<u>7,497,113</u>
Total noncurrent assets	<u>7,497,113</u>
Total assets	<u>15,787,786</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions (note 7)	456,436
OPEB (note 8)	16,692
Total deferred outflows of resources	<u>473,128</u>
LIABILITIES	
Current liabilities:	
Accounts payable	334,131
Accrued liabilities	69,535
Deferred revenue	85,793
Deposits payable	279,622
Compensated absences - due within one year (note 6)	44,666
Total current liabilities	<u>813,747</u>
Noncurrent liabilities:	
Net pension liability (note 7)	1,230,710
OPEB (note 8)	384,923
Compensated absences - due in more than one year (note 6)	44,666
Total noncurrent liabilities	<u>1,660,299</u>
Total liabilities	<u>2,474,046</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions (note 7)	91,693
OPEB (note 8)	25,669
Total deferred inflows of resources	<u>117,362</u>
NET POSITION	
Net investment in capital assets	7,497,113
Restricted for:	
Transportation	866,840
Projects	76,488
Government access TV	18,151
Public safety	46,538
Total restricted	<u>1,008,017</u>
Unrestricted	<u>5,164,376</u>
Total net position	<u>\$ 13,669,506</u>

See accompanying notes to the basic financial statements.

CITY OF LA HABRA HEIGHTS

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
General government	\$ 1,385,209	-	13,566	-	(1,371,643)
Public safety	2,264,988	1,354,108	313,265	76,929	(520,686)
Public works	817,714	44,919	13,397	460,039	(299,359)
Community development	397,640	455,504	-	-	57,864
Total governmental activities	4,865,551	1,854,531	340,228	536,968	(2,133,824)
Total primary government	\$ 4,865,551	1,854,531	340,228	536,968	(2,133,824)
General revenues:					
Taxes:					
					2,048,727
					37,075
					149,914
					202,315
					2,438,031
					86,322
					232,278
					2,756,631
					622,807
					13,046,699
					13,669,506

See accompanying notes to the basic financial statements.

CITY OF LA HABRA HEIGHTS

Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	Fire Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (note 2)	\$ 6,459,592	-	1,075,504	7,535,096
Receivables:				
Accounts	205,527	72,275	50,621	328,423
Notes (note 3)	120,066	-	-	120,066
Interest	33,359	-	4,151	37,510
Prepaid items	269,578	-	-	269,578
Due from other funds (note 4)	43,723	-	-	43,723
Total assets	\$ 7,131,845	72,275	1,130,276	8,334,396
LIABILITIES				
Accounts payable	\$ 235,075	16,351	82,705	334,131
Accrued liabilities	35,966	28,702	4,867	69,535
Deposits payable	279,622	-	-	279,622
Due to other funds (note 4)	-	27,222	16,501	43,723
Total liabilities	550,663	72,275	104,073	727,011
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	85,793	-	-	85,793
Unavailable revenue	120,066	-	-	120,066
Total deferred inflows (outflows) of resources	205,859	-	-	205,859
FUND BALANCES (note 13)				
Nonspendable	269,578	-	-	269,578
Restricted	-	-	1,026,203	1,026,203
Assigned	450,000	-	-	450,000
Unassigned	5,655,745	-	-	5,655,745
Total fund balances	6,375,323	-	1,026,203	7,401,526
Total liabilities, deferred inflows and fund balances	\$ 7,131,845	72,275	1,130,276	8,334,396

See accompanying notes to the basic financial statements.

CITY OF LA HABRA HEIGHTS
Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Position
June 30, 2018

Fund balances of governmental funds	\$ 7,401,526
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds balance sheet. Capital assets were adjusted as follows:	
Capital assets	11,570,578
Accumulated depreciation	(4,073,465)
Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds.	120,066
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Compensated absences	(89,332)
Governmental funds report all PERS and OPEB contributions as expenditures, however, in the statement of net position and excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability:	
Other Post Employment Benefits	(384,923)
Net pension liability	(1,230,710)
Deferred outflows related to PERS contributions made after actuarial measurement date	456,436
Deferred outflows related to OPEB contributions made after actuarial measurement date	16,692
Deferred inflows related to PERS unrecognized actuarial gains and losses	(91,693)
Deferred inflows related to OPEB unrecognized actuarial gains and losses	<u>(25,669)</u>
Net position of governmental activities	<u>\$ 13,669,506</u>

See accompanying notes to the basic financial statements.

CITY OF LA HABRA HEIGHTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Fire Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,253,077	-	146,118	2,399,195
Licenses and permits	279,769	-	-	279,769
Fines and forfeitures	123,548	-	-	123,548
Intergovernmental	100,436	76,929	632,804	810,169
Investment earnings	68,126	-	11,948	80,074
Charges for services	184,106	15,094	690	199,890
Special assessments	-	1,154,025	1,816	1,155,841
Fees and other revenue	412,282	-	21,344	433,626
Total revenues	<u>3,421,344</u>	<u>1,246,048</u>	<u>814,720</u>	<u>5,482,112</u>
Expenditures:				
Current:				
General government	1,139,643	-	-	1,139,643
Public safety	852,137	1,181,897	174,419	2,208,453
Public works	415,670	-	341,117	756,787
Community development	396,075	-	1,565	397,640
Capital outlay	-	446,695	146,346	593,041
Total expenditures	<u>2,803,525</u>	<u>1,628,592</u>	<u>663,447</u>	<u>5,095,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>617,819</u>	<u>(382,544)</u>	<u>151,273</u>	<u>386,548</u>
Other financing sources (uses):				
Transfers in (note 4)	150,000	382,544	-	532,544
Transfers out (note 4)	(382,544)	-	(150,000)	(532,544)
Total other financing sources (uses)	<u>(232,544)</u>	<u>382,544</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balances	385,275	-	1,273	386,548
Fund balances, beginning of year	<u>5,990,048</u>	<u>-</u>	<u>1,024,930</u>	<u>7,014,978</u>
Fund balances, end of year	<u>\$ 6,375,323</u>	<u>-</u>	<u>1,026,203</u>	<u>7,401,526</u>

See accompanying notes to the basic financial statements.

CITY OF LA HABRA HEIGHTS
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Governmental-Wide Statement of Activities
For the Year Ended June 30, 2018

Changes in fund balances of governmental funds \$ 386,548

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year, net of disposals and internal service fund activity.

Capital outlay	691,267
Depreciation expense	(342,583)

Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds.	6,246
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(34,442)
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Governmental funds report all contributions in relation to the annual required contribution (ARC) for PERS and OPEB as expenditures, however in the statement of activities only the ARC is an expense.	<u>(84,229)</u>
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Change in net position of governmental activities \$ 622,807

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2018

(1) Organization and Summary of Significant Accounting Policies

The financial statements of the City of La Habra Heights (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Description of the Reporting Entity

The City of La Habra Heights, California (City) was incorporated on December 4, 1978. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, recreation and community development.

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 activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, and elimination have been made to minimize the double counting of internal activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with 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 properly included among program revenues are reported instead 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. Currently, the City has no proprietary or fiduciary funds. Major individual governmental 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. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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, claims and judgments are not recognized until paid.

Property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund was established to account for revenues and expenditures related to the La Habra Heights Fire Department.

Additionally, the City reports the following fund types:

- Special Revenue Funds – These funds account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's water function 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.

Amounts reported as program revenues include 1) charges for services (charges to members, customers or applicants for goods, services, or privileges provided); 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (continued)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Cash and Investments

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

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. Cash invested in the City's cash management pool is also considered to be cash equivalents.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Currently, the City has no business-type activities.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Under California law, property taxes are assessed and collected by the counties at 1% of assessed value plus other increases approved by the voters. Property taxes collected go into a pool and are then allocated to the cities based on a predetermined formula. The City of La Habra Heights accrues only those taxes which are received from the Count of Los Angeles within 60 days after year end.

Lien date:	January 1
Levy date:	June 30
Due dates:	November 1, February 1
Delinquent dates:	December 11, April 11

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (continued)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (cont.)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, improvements, infrastructure, machinery and equipment, and vehicles, are reported in the applicable governmental activities columns in the government-wide financial statements. The City defines capital assets as assets other than infrastructure with an initial cost of more than \$5,000 and infrastructure with an initial cost of more than \$30,000. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20-30 years
Improvements	10-30 years
Infrastructure	7-30 years
Machinery and equipment	3-7 years
Vehicles	5-20 years

For GASB Statement No. 34 implementation, the City was a Phase 3 government, and in accordance with this statement, the City has elected to report its infrastructure assets prospectively. Therefore, only infrastructure assets purchased or constructed in the fiscal years 2004 and later are required to be capitalized and depreciated in the City's government-wide financial statements.

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Vacation time accrued is transferable from one year to the next, but an employee cannot accrue more than 300 hours of vacation time.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (continued)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (cont.)

Compensated absences (continued)

Sick leave is payable when an employee is unable to work because of illness. Employees are entitled to accrue sick leave up to 480 hours. Upon reaching the maximum accrual allowed, the employee shall cease to accrue sick leave time until such time as the total accrued hours is less than the maximum permitted. Employees have no vested rights in the accrued sick leave time. Upon separation or retirement, an employee shall be paid for accumulated and unused sick leave at the rate of one-half the employee's hourly rate of pay. Sick leave payout only occurs for employees who have worked two years or more. In no event shall an employee be paid for sick leave in excess of the maximum amount that may be accumulated, which is 480 hours.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid, if matured, out of the General Fund.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The deferred outflows relating to the net position liability and other post employment benefits obligation reported in the government-wide Statement of Net Position. These outflows are the results of contributions made after the measurement period, which are expensed in the following year, and of adjustments due to difference in proportions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions. These amounts are deferred and amortized over the expected average remaining service life time.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (continued)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (cont.)

Deferred outflows/inflows of resources (continued)

In addition to liabilities, the statement of financial position and governmental fund 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) until that time. The City has two items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second are deferred inflows relating to the net pension obligation and other post employment benefits obligation reported in the government-wide Statement of Net Positions. These inflows are the result of the net difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized straight-line over a five-year period.

Fund Balances and Spending Policy

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in a spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributions, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, The City Council is considered the highest authority for the City and approves such commitments through council resolutions and/ or similar documents. These committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (continued)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (cont.)

Fund Balances and Spending Policy (continued)

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources that are neither restricted or committed. Assignment of resources can be done by the highest level of decision making (City Council Resolution) or by a committee or official designated for that purpose. The City Council has designated the City Manager for the purpose to assign fund balance for specific departmental projects.

Unassigned – The General Fund is the only fund may that report a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Funds, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. It is the City’s policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those fund balance classifications could be used.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the Government-Wide Financial Statements, net position are classified in the following categories: *Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position are restricted by external creditors, grantors, contributors, laws or regulations of other governments. Unrestricted Net position is all net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(1) Organization and Summary of Significant Accounting Policies (continued)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (cont.)

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

e. Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

f. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of La Habra Heights' California Public Employees' Retirement System (CalPERS) plan (Plan) 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.

g. New Accounting Pronouncements

The City adopted Statement on Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85 *Omnibus 2017*. See Note 12 for affect on the City's beginning net assets as a result of the change in accounting principal related to the adoption of GASB No. 75.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments

As of June 30, 2018, cash and investments were reported in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	<u>\$ 7,535,096</u>
Total cash and investments	<u>\$ 7,535,096</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 1,125
Deposits with financial institutions	95,240
Investments	<u>7,438,731</u>
Total cash and investments	<u>\$ 7,535,096</u>

The City of La Habra Heights maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments.

As of June 30, 2018, the carrying amount of the City's deposits was \$95,240 and the bank balance was \$167,179. The \$71,939 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

Investments Authorized by the City’s Investment Policy

Under provision of the City’s investment policy, and in accordance with Section 53600 of the California Government Code, the following investments are authorized:

<u>Investment Types</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Bonds and Notes	5 years	None	None
U.S. Government Agency Securities	5 years	None	None
Bills of Exchange	180 days	40%	15%
Commercial Paper	270 days	40%	15%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	92 days	None	15%
Reverse Repurchase Agreements	92 days	None	15%
Local Agency Investment Fund (LAIF)	N/A	None	None
Medium Term Corporate Notes	5 years	30%	15%

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provision of the debt agreements, rather than the general provision of the California Government Code or the City’s investment policy. Currently, the City has no debt proceeds held by bond trustee.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by 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.

Credit Risk

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

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>			
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
US Treasury	\$ 994,260	N/A	994,260	-	-	-
Negotiable CD's	1,195,594	N/A	-	-	-	1,195,594
Local Agency Investment Fund	<u>5,248,877</u>	N/A	-	-	-	<u>5,248,877</u>
Total	<u>\$7,438,731</u>		<u>994,260</u>	<u>-</u>	<u>-</u>	<u>6,444,471</u>

Concentration of Credit Risk

As of June 30, 2018, in accordance with GASB Statement No. 40 requirements, the City is exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. As of June 30, 2018, the City was not exposed to concentration of credit risk.

Custodial Credit Risk

The 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 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 a counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). As of June 30, 2018, none of the City's deposits or investments were exposed to custodial credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(2) Cash and Investments (continued)

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that, with the exception of the investment of bond proceeds and LAIF, investments may not exceed five years in maturity. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

<u>Investment Type</u>	<u>Remaining Investment Maturities</u>			<u>Total</u>
	<u>Less than 1 Year</u>	<u>1 to 3 Years</u>	<u>4 to 5 Years</u>	
US Treasury	\$ 994,260	-	-	994,260
Negotiable CD's	598,736	596,858	-	1,195,594
Local Agency Investment Fund	<u>5,248,877</u>	<u>-</u>	<u>-</u>	<u>5,248,877</u>
Total	<u>\$ 6,841,873</u>	<u>596,858</u>	<u>-</u>	<u>7,438,731</u>

Fair Value Classifications

Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments categorized as Level 2 are valued using market approach using quoted market prices.

Investments' fair value measurements are as follows as of June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Treasury	\$ 994,260	994,260	-	-
Negotiable CD's	<u>1,195,594</u>	<u>-</u>	<u>1,195,594</u>	<u>-</u>
Sub-total	<u>2,189,854</u>	<u>994,260</u>	<u>1,195,594</u>	<u>-</u>
Local Agency Investment Fund	<u>5,248,877</u>			
Total	<u>\$ 7,438,731</u>			

Investments in the LAIF investment pool are uncategorized as deposit and withdrawals are made on the basis of \$1 and not fair value.

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(3) Notes Receivable

On November 13, 2013, Superior Court of the State of California, County of Los Angeles ordered the award of attorney's fees and costs in court case no. VC059588 to the City in the amount of \$92,475, which included attorney's fees in the amount of \$90,000, code enforcement fees in the amount of \$1,000, and other costs in the amount of \$1,475. The Court ordered the defendants to pay the amount of \$250 per month to the City on the first day of each month until the full judgment plus interest amount accrued at legal rate is paid. The principal balance of the note was \$92,475 and the accrued interest balance was \$27,591 at June 30, 2018.

(4) Inter-fund Receivables, Payables and Transfers

a. Due To / From Other Funds:

The following summarizes the total due to and from other funds as of June 30, 2018:

	<u>Due To Other Funds:</u>		
	<u>Fire Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Due From Other Funds:</u>			
General Fund	\$ 27,222	16,501	\$ 43,723

Inter-fund receivables and payables as of June 30, 2018 are the result of the elimination of deficit cash balances in individual funds.

b. Transfers To / From Other Funds:

The following summarizes the total transfers in and transfers out to other funds as of June 30, 2018:

		<u>Transfers In:</u>	
	<u>General Fund</u>	<u>Fire Fund</u>	<u>Total</u>
<u>Transfers Out:</u>			
General Fund	\$ -	382,544	382,544
Nonmajor Funds	150,000	-	150,000
Total	\$150,000	382,544	532,544

The General Fund transferred funds to subsidize operating costs of the Fire Fund.

The transfer to the General Fund from Non-Major Governmental Funds was to reimburse the General Fund for costs incurred relating to public safety.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(5) Capital Assets

A summary of the changes in capital asset activity for the year ended June 30, 2018, is as follows:

Governmental Activities:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-depreciable:				
Land	\$ 1,662,310	-	-	1,662,310
Construction in progress	<u>8,770</u>	<u>75,331</u>	<u>(8,770)</u>	<u>75,331</u>
Total non-depreciable	<u>1,671,080</u>	<u>75,331</u>	<u>(8,770)</u>	<u>1,737,641</u>
Depreciable:				
Buildings	858,410	-	-	858,410
Improvements	3,009,587	-	-	3,009,587
Infrastructure	3,625,508	178,012	-	3,803,520
Machinery and Equipment	601,750	-	(13,000)	588,750
Vehicles	<u>1,156,976</u>	<u>446,694</u>	<u>(31,000)</u>	<u>1,572,670</u>
Total depreciable capital assets	<u>9,252,231</u>	<u>624,706</u>	<u>(44,000)</u>	<u>9,832,937</u>
Less accumulated depreciation for:				
Buildings	554,421	42,583	-	597,004
Improvements	1,014,885	102,853	-	1,117,738
Infrastructure	793,836	126,079	-	919,915
Machinery and Equipment	491,030	32,898	(13,000)	510,928
Vehicles	<u>920,710</u>	<u>38,170</u>	<u>(31,000)</u>	<u>927,880</u>
Total accumulated depreciation	<u>3,774,882</u>	<u>342,583</u>	<u>(44,000)</u>	<u>4,073,465</u>
Total depreciable capital assets, net	<u>5,477,349</u>	<u>282,123</u>	<u>-</u>	<u>5,759,472</u>
Total capital assets, net	<u>\$ 7,148,429</u>	<u>357,454</u>	<u>(8,770)</u>	<u>7,497,113</u>

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(5) Capital Assets (continued)

Depreciation expense was charged in the following functions in the Statement of Activities:

Governmental Activities:	
General government	\$ 114,600
Public safety	68,830
Public works	<u>159,153</u>
 Total	 <u>\$ 342,583</u>

(6) Long-term Liabilities

(a) Governmental Activities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
Governmental Activities*:					
Compensated absences	\$ 54,890	<u>98,130</u>	<u>63,688</u>	<u>89,332</u>	<u>44,666</u>
Total governmental activities	<u>\$ 54,890</u>	<u>98,130</u>	<u>63,688</u>	<u>89,332</u>	<u>44,666</u>

* See Notes 7 and 8 for long-term pension liability and other post employment benefits liability, respectively.

Accrued Leave Payable (Compensated Absences)

Accrued leave payable amounted to \$89,332 as of June 30, 2018. The balance is broken down as follows: \$58,001 in vacation leave, \$28,646 in sick leave, and \$2,685 in floating holiday.

(7) Defined Benefit Pension Plans

Plan Description: All qualified permanent and probationary employees are eligible to participate in the City of La Habra Heights' Safety and Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City of La Habra Heights 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.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Defined Benefit Pension Plans (continued)

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in the new Miscellaneous and Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013, risk-pool valuations.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 63	52 – 67
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	7.20%	6.533%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2.0% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% to 2.0%	1.4% to 2.0%
Required employee contribution rates	7.00%	9.50%
Required employer contribution rates	12.242	9.513%

CITY OF LA HABRA HEIGHTS
 NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Defined Benefit Pension Plans (continued)

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City of La Habra Heights is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plans were \$90,433 and \$46,815 for the Miscellaneous and Safety plans, respectively, for the year ended June 30, 2018.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2018, the City of La Habra Heights reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$1,001,962
Safety	228,748
Total Net Pension Liability	\$1,230,710

The City of La Habra Heights’ net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City of La Habra Heights’ proportion of the net pension liability was based on a projection of the City of La Habra Heights’ long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City of La Habra Heights’ proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous	Safety
Proportion – June 30, 2016	0.0277%	0.0038%
Proportion – June 30, 2017	0.0254%	0.0038%
Change – Increase (Decrease)	(0.0023)%	0.0000%

CITY OF LA HABRA HEIGHTS
 NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Defined Benefit Pension Plans (continued)

For the year ended June 30, 2018, the City of La Habra Heights recognized pension expense of \$204,038. At June 30, 2018, the City of La Habra Heights reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 137,247	-
Change in proportion		(72,259)
Net difference in actual contributions vs. proportionate share of contributions	31,819	
Net difference between expected and actual experience		(19,434)
Net differences between projected and actual earnings on plan investments	56,216	-
Change in assumptions	231,154	-
Total	\$ 456,436	(91,693)

The \$137,247 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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	
2019	\$ 27,166
2020	146,710
2021	86,911
2022	(33,291)
	\$ 227,496

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Defined Benefit Pension Plans (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	Varies by Entry Age	Varies by Entry Age
Investment Rate of Return	7.375% (1)	7.375% (2)
Mortality	Varies (2)	Varies (2)

(1) Net of pension plan investment expenses, including inflation.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale AA.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.15 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees' Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was then set equivalent to the single equivalent rate

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(7) Defined Benefit Pension Plans (continued)

calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for the Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

Asset Class	New Strategic Allocation
Global Equity	50.0%
Global Fixed Income	19.0%
Real Assets	11.0%
Private Equity	10.0%
Inflation Sensitive	6.0%
Liquidity	3.0%
Other	1.0%
Total	100%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City of La Habra Heights’ proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$1,671,902	\$ 384,070
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$1,001,962	\$ 228,748
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 447,105	\$ 101,780

CITY OF LA HABRA HEIGHTS
 NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(8) Other Post Employment Benefits (OPEB)

Plan Description - In addition to the pension benefits described above, the City provides retiree health insurance benefits. The City contracts with the Public Employee's Retirement System to provide benefits to retirees under the Employees' Hospital and Medical Care Act. Employees who retire from the City may elect to continue their medical insurance through the available PERS plans. When retirees reach 65, they must enroll on Medicare and then may select a Medicare supplemental plan through the PERS insurance plans. This is a defined contribution plan with the City paying the minimum allowed contribution and the employees paying the balance of the selected plan premium. Changes to the plan require a resolution approved by the City Council and submitted to PERS. Resolution 2008-37 was approved by the City Council and modified the City contribution amount for retired employees from a percentage of the plan premium to the minimum contributions as defined by PERS.

Employee Covered – As of June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active employees	10
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving benefits	<u>4</u>
Total	<u>20</u>

Contributions - Currently, the City funds retiree healthcare benefits on a pay-as-you-go basis. The City recognizes expenditure for its share of the annual premiums as these benefits become due. For fiscal year 2017-2018, the City paid \$9,396 for benefits of 6 retired employees.

Net OPEB Liability - The City of La Habra Heights net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OEPB liability was determined by an actuarial valuation date June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

<i>Actuarial Assumptions:</i>	
Discount Rate – as of 6/30/16	2.68%
Discount Rate – as of 6/30/17	3.13%
Projected Salary Increase	3.25%
Assumed Salary Growth	3.0%
General Inflation	2.75%
Mortality	Varies (1)

(1) The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(8) Other Post Employment Benefits (OPEB) (continued)

Discount Rate – The discount rate used to measure the OPEB liability was 3.13 percent, which was based on the published change in return for the applicable municipal bond index.

The Changes in the net OPEB liability for the plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (c)=(a)-(b)
Balance at Fiscal Year Ending 6/30/17 <i>Measurement Date 6/30/16</i>	\$ 376,461	\$ -	\$ 376,461
Changes During the Period:			
Service Cost	41,488	-	41,488
Interest Cost	10,995	-	10,995
Expected Investment Income	-	-	-
Employer Contributions	-	15,402	(15,402)
Changes of Benefit Terms	-	-	-
Benefit Payments	(15,402)	(15,402)	-
Assumption Changes	(28,619)	-	(28,619)
Plan Experience	-	-	-
Investment Experience	-	-	-
Recognized Deferred Resources	-	-	-
Employer Contributions Subsequent to Measurement Date	-	-	-
Net Changes in Fiscal Year 2017-18	8,462	-	8,462
Balance at Fiscal Year Ending 6/30/18 <i>Measurement Date 6/30/17</i>	\$ 384,923	\$ -	\$ 384,923

Sensitivity of the Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following presents the City of La Habra Heights’ OPEB liability, calculated using the discount rate, as well as what the City’s OPEB 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:

1% Decrease	2.13%
OPEB Liability	\$ 453,189
Current Discount Rate	3.13%
OPEB Liability	\$ 384,923
1% Increase	4.13%
OPEB Liability	\$ 331,426

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(8) Other Post Employment Benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trends – The following presents the net OPEB liability of the City of La Habra Heights if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period June 30, 2018:

1% Decrease	7%
OPEB Liability	\$ 323,031
Current Discount Rate	8%
OPEB Liability	\$ 384,923
1% Increase	9%
OPEB Liability	\$ 484,252

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the fiscal year ended June 30, 2018, the City of La Habra Heights recognized OPEB expense of \$49,533. As of the fiscal year ended June 30, 2018, the City of La Habra Heights reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 16,692	-
Change in assumptions	-	(25,669)
Total	\$ 16,692	(25,669)

The \$16,692 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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	
2019	\$ (2,950)
2020	(2,950)
2021	(2,950)
2022	(2,950)
2023	(2,950)
Thereafter	(10,919)
	\$ (25,669)

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(9) Deferred Compensation Plan

City employees may defer a portion of compensation under two separate City sponsored deferred compensation plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by the plans.

The City has a deferred compensation plan administration agreement with CalPERS and Nationwide Retirement Solutions, Inc. to provide for the administration and management of employees deferred compensation plan assets. These agreements incorporate changes in the laws and IRS regulations governing deferred compensation plans, which require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

The City makes a matching contribution of 3.75% for part-time employees. The total contributions made by the City in fiscal year 2017-2018 amounted to \$12,090.

(10) California Joint Powers Insurance Authority Insurance Program

a. **Description of Self-Insurance Pool Pursuant to Joint Powers Agreement**

The City of La Habra Heights is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

b. **Self-Insurance Program of the Authority**

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

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(10) California Joint Powers Insurance Authority Insurance Program (continued)

Primary Liability Program

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

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation Program

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

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(10) California Joint Powers Insurance Authority Insurance Program (continued)

c. **Purchased Insurance**

Pollution Legal Liability Insurance

The City of La Habra Heights participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of La Habra Heights. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2015 through July 1, 2018. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance

The City of La Habra Heights participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of La Habra Heights property is currently insured according to a schedule of covered property submitted by the City of La Habra Heights to the Authority. City of La Habra Heights property currently has all-risk property insurance protection in the amount of \$7,467,365. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of La Habra Heights purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of La Habra Heights property currently has earthquake protection in the amount of \$0. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City of La Habra Heights purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

Special Event Tenant User Liability Insurance

The City of La Habra Heights further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of La Habra Heights according to a schedule. The City of La Habra Heights then pays for the insurance. The insurance is facilitated by the Authority.

CITY OF LA HABRA HEIGHTS
 NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(10) California Joint Powers Insurance Authority Insurance Program (continued)

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

(11) Contingent Liabilities

a. *Lawsuits in the Normal Course of Business*

Various claims and lawsuits are pending against the City. The outcome of these claims and lawsuits is not presently determinable. In the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

b. *Federal and State Grant Programs*

The City participates in several federal and state grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the federal Single Audit Act (if required), as amended and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

(12) Fund Balance and Net Position Restatements

The following schedule summarizes the effects of the prior period adjustment to the Government-wide Statements as of July 1, 2017.

Government-wide:

	<u>Governmental Activities</u>
Net position at June 30, 2017, as previously reported	\$13,145,101
Adjustment made to prior year:	
Change in accounting principal for adoption of GASB No.75	<u>(98,402)</u>
Net position as July 1, 2017, as restated	<u>\$13,046,699</u>

CITY OF LA HABRA HEIGHTS
NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(13) Classification of Fund Balances

The City follows the provisions of GASB Statement No. 54, “Fund Balance and Governmental Fund Type Definitions”. GASB 54 establishes fund balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The governmental fund statements conform to this classification and are summarized as follows as of June 30, 2018:

	<u>General Fund</u>	<u>Fire Special Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Totals</u>
<i>Nonspendable</i>				
Prepaid expenses	\$ 269,578	-	-	269,578
<i>Total Nonspendable</i>	<u>269,578</u>	<u>-</u>	<u>-</u>	<u>269,578</u>
<i>Restricted</i>				
Transportation	-	-	866,840	866,840
Public safety	-	-	46,538	46,538
Air quality improvement	-	-	29,950	29,950
Public works	-	-	64,724	64,724
Public access television	-	-	18,151	18,151
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>1,026,203</u>	<u>1,026,203</u>
<i>Assigned</i>				
Infrastructure	150,000	-	-	150,000
Equipment replacement	200,000	-	-	200,000
Civic facilities	50,000	-	-	50,000
Accrued leave liability	50,000	-	-	50,000
<i>Total Assigned</i>	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
<i>Unassigned</i>	<u>5,655,745</u>	<u>-</u>	<u>-</u>	<u>5,655,745</u>
<i>Totals</i>	<u>\$6,375,323</u>	<u>-</u>	<u>1,026,203</u>	<u>7,401,526</u>

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

(14) Other Required Disclosures

Expenditures in Excess of Appropriations

The following departments / funds reported expenditures in excess of appropriations for the year ended June 30, 2018:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund			
Current:			
Community development	\$373,034	\$396,075	\$(23,041)
Fire Fund			
Capital outlay	440,735	446,695	(5,960)
Non-major Special Revenue Funds:			
Surface Transportation			
Program - Local	138,000	139,006	(1,006)
Community Development			
Block Grant	-	1,565	(1,565)
Road Maintenance District #4	814	1,267	(453)

(15) Subsequent Events

Management has evaluated subsequent events through October 18, 2018, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LA HABRA HEIGHTS

General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 2,207,300	2,209,300	2,253,077	43,777
Licenses and permits	229,200	262,000	279,769	17,769
Fines and forfeitures	43,000	64,000	123,548	59,548
Intergovernmental	62,300	62,300	100,436	38,136
Investment earnings	28,000	60,000	68,126	8,126
Charges for services	172,600	172,100	184,106	12,006
Fees and other revenue	397,000	387,300	412,282	24,982
Total revenues	3,139,400	3,217,000	3,421,344	204,344
Expenditures:				
Current:				
General government	1,208,595	1,144,215	1,139,643	4,572
Public safety	843,779	856,779	852,137	4,642
Public works	697,898	775,487	415,670	359,817
Community development	388,259	373,034	396,075	(23,041)
Total expenditures	3,138,531	3,149,515	2,803,525	345,990
Excess (deficiency) of revenues over (under) expenditures	869	67,485	617,819	550,334
Other financing sources (uses):				
Transfers in	150,000	150,000	150,000	-
Transfers out	(690,269)	(706,798)	(382,544)	324,254
Total other financing sources (uses)	(540,269)	(556,798)	(232,544)	324,254
Net change in fund balances	(539,400)	(489,313)	385,275	874,588
Fund balance, beginning of year,	5,990,048	5,990,048	5,990,048	-
Fund balance, end of year	\$ 5,450,648	5,500,735	6,375,323	874,588

CITY OF LA HABRA HEIGHTS

Fire Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Intergovernmental	\$ -	37,000	76,929	39,929
Charges for services	-	-	15,094	15,094
Special assessments	1,125,300	1,125,300	1,154,025	28,725
Total revenues	<u>1,125,300</u>	<u>1,162,300</u>	<u>1,246,048</u>	<u>83,748</u>
Expenditures:				
Current:				
Public safety	1,415,569	1,428,363	1,181,897	246,466
Capital outlay	400,000	440,735	446,695	(5,960)
Total expenditures	<u>1,815,569</u>	<u>1,869,098</u>	<u>1,628,592</u>	<u>240,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(690,269)</u>	<u>(706,798)</u>	<u>(382,544)</u>	<u>324,254</u>
Other financing sources (uses):				
Transfers in	690,269	706,798	382,544	(324,254)
Total other financing sources (uses)	<u>690,269</u>	<u>706,798</u>	<u>382,544</u>	<u>(324,254)</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF LA HABRA HEIGHTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

Stewardship, Compliance and Accountability

General Budget Policies

The City's budget is prepared under the direction of the City Manager. Revenues are budgeted based on source. Expenditures are budgeted by functions, with sub classification by department and object of expenditures.

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

1. The annual budget is adopted by the City Council after a public hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
2. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (GAAP). Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.
3. Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year.
4. Budget control is maintained over all accounts, and expenditures are not allowed to exceed appropriations at the program level (i.e. City Council, City Treasurer, City Attorney), except as approved in advance by the City Council.
5. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Governmental Fund Types. However, at year end all appropriations lapse. Accordingly, encumbrances are canceled and generally re-appropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.
6. The City Council approves all significant budgetary changes.
7. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2018, based on calculations by City management, proceeds of taxes did not exceed appropriations.

CITY OF LA HABRA HEIGHTS
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
June 30, 2018

Cost Sharing Defined Benefit Pension Plan
Last 10 Fiscal Years *

	Combined June 30, 2017 ¹ Fiscal Year 2017-18	Combined June 30, 2016 ¹ Fiscal Year 2016-17	Combined June 30, 2015 ¹ Fiscal Year 2015-16
Proportion of the net pension liability (asset)	0.01241%	0.01340%	0.03641%
Proportionate share of the net pension liability (asset)	\$ 1,230,710	\$ 1,159,250	\$ 842,539
Covered - employee payroll ²	\$ 939,560	\$ 939,209	\$ 974,346
Proportionate Share of the net pension liability (asset) as percentage of covered-employee payroll	130.99%	123.43%	86.47%
Plan's fiduciary net position	\$ 27,244,095,376	\$ 24,907,305,871	\$ 24,607,502,515
Plan's total pension liability	\$ 37,161,348,332	\$ 31,771,217,402	\$ 30,829,966,631
Plan fiduciary net position as a percentage of the total pension liability	79.42%	78.40%	79.82%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

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. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Changes in assumptions: The discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent to correct for an adjustment to exclude administrative expense.

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Combined

June 30, 2014 ¹

Fiscal Year

2014-15

0.03696%

\$ 965,311

\$ 1,169,705

82.53%

\$ 24,907,305,871

\$ 31,771,217,402

78.40%

CITY OF LA HABRA HEIGHTS

Schedule of Plan Contributions ¹

June 30, 2018

Cost Sharing Defined Benefit Pension Plan Last 10 Fiscal Years *

	Combined Fiscal Year 2017-18 ¹	Combined Fiscal Year 2016-17 ¹	Combined Fiscal Year 2015-16 ¹	Combined Fiscal Year 2014-15 ¹
Actuarially determined contribution ²	\$ 137,248	\$ 241,647	\$ 128,574	\$ 137,541
Contributions in relation to the actuarially determined contributions ²	<u>\$ (137,248)</u>	<u>\$ (241,647)</u>	<u>\$ (128,574)</u>	<u>\$ (137,541)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ³	\$ 1,144,524	\$ 939,209	\$ 974,346	\$ 1,169,705
Contributions as a percentage of covered employee payroll ³	11.99%	25.73%	13.20%	11.76%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employee are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal 2017-18 were from the June 30, 2016 public agency valuations.

Actuarial cost method	Entry-age
Amortization method/period	For detail, see June 30, 2016 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details see June 30, 2016 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.5% Net of Pension Plan Investment and Administrative expenses, includes inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-Retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF LA HABRA HEIGHTS
Schedule of Changes in the Net OPEB Liability and Related Ratios
for the Measurement Periods Ended June 30

<i>Measurement Period</i>	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 41,488
Interest on the total OPEB Liability	10,995
Actual and expected experience difference	-
Changes in assumptions	(28,619)
Changes in benefit terms	-
Benefit payments	<u>(15,402)</u>
Net change in total OPEB liability	8,462
Total OPEB liability - beginning	<u>376,461</u>
Total OPEB liability - ending (a)	<u><u>\$ 384,923</u></u>
 Plan Fiduciary Net Position	
Contribution - employer	\$ 15,402
Net investment income	-
Benefit payments	(15,402)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>
 Net OPEB liability - ending (a)-(b)	<u><u>\$ 384,923</u></u>
 Covered-employee payroll	939,209
 Net OPEB liability as a percentage of covered-employee payroll	40.98%

Notes to Schedule

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed un to 10 years as information becomes available.

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SUPPLEMENTARY INFORMATION

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues and the related expenditures which are legally required to be accounted for in a separate fund. Funds included are:

State Gas Tax Fund – To account for the receipts and disbursements of monies apportioned to the City under the Streets and Highways Code of the State of California.

Proposition A Fund – To account for the distribution and use of local return funds generated by a ½ cent sales tax that was approved by Los Angeles County voters in 1980. The funding is used for transportation projects.

Air Quality Improvement (AQMD) Fund – To account for revenue apportioned to the City from the Southern California AQMD fees on motor vehicle registrations, used to fund programs to reduce air pollution from mobile sources.

Proposition C Fund – As Proposition C increased the sales tax in Los Angeles County by one-half percent (0.5%), this fund accounts for financial activity relative to the City's share of these monies. Proposition C revenues are to be used for public transportation purposes.

Supplemental Law Enforcement Services Fund – To account for the receipts and disbursements of monies awarded to the City under the Citizens Option for Public Safety program (otherwise known as COPS). The grant was established by State Assembly Bill (AB) 3229 and is apportioned through its Supplemental Law Enforcement Fund.

Law Enforcement Equipment Program Fund – To account for the distribution and use of funds provided by the California Law Enforcement Equipment Program (CLEEP) for funding of law enforcement equipment. The CLEEP grant is no longer funded by the State.

Safer Grant Fund – To account for the distribution and use of funds provided by the Federal Emergency Management Agency. The Staffing for Adequate Fire and Emergency Response Grants (SAFER) was created to provide funding directly to fire departments and volunteer firefighter interest organizations to help them increase or maintain the number of trained, "front line" firefighters available in their communities

Measure R Fund – To account for the financial activity relative to the Los Angeles County special ½ cent transportation sales tax which became effective July 1, 2009. These funds may be used only for certain transportation purposes.

Measure M Fund – To account for the financial activity relative to the Los Angeles County special ½ cent transportation sales tax. Approved by voters in November 2016, and effective July 1, 2017, these funds are to be used for traffic relief, damaged potholes, and pavement of local streets.

Recycling Grant Fund – To account for the distribution and use of Grant funds from Department of Resources Recycling and Recovery (CalRecycle) for beverage container recycling programs that implement new or enhance existing programs to provide convenient beverage container recycling opportunities.

SB1 Road Maintenance Fund – To account for the financial activity related to the Road Repair and Accountability Act of 2017. The funds originate from gasoline taxes and vehicle license fees. The City's allocation received from the State is based on population.

NONMAJOR SPECIAL REVENUE FUNDS

Surface Transportation Program-Local (STP-L) Fund – To account for the distribution and use of funds provided by the Federal Surface Transportation Program-Local for funding of transportation projects, including local streets and lights.

Transportation Development Act (TDA) Fund – To account for the distribution and use of funds provided by the Transportation Development Act of 1971 for funding to improve existing public transportation services and encourage regional transportation coordination.

Community Development Block Grant Fund – To account for the funding from the Department of Housing and Urban Development (HUD) in the form a Community Development Block Grant (CDBG) program. The program has specific federal guidelines and all CDBG fund expenditures are monitored for compliance with both federally mandated rules and regulations and County of Los Angeles regulations.

PEG Fees Fund – To account for the distribution and use of fees received from a telecommunications company operating in the City. These fees are restricted for use on public access programming and equipment. The City uses these fees to purchase cameras and other equipment to film and replay Council, Planning Commission and Roads Advisory Committee Meetings.

Street Assessment District #1 Fund – To account for the distribution and use of a special property tax assessment to pay for street improvements. The assessment district was formed in 1996.

Road Maintenance District #4 Fund – To account for the distribution and use of a citywide street maintenance district property tax assessment to pay for drainage and street improvements. The District was formed in 2007.

CITY OF LA HABRA HEIGHTS
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

Special Revenue Funds

	State Gas Tax	Proposition A	Air Quality Improvement	Proposition C	Supplemental Law Enforcement Services	Law Enforcement Equipment Program	Safer Grant	Measure R
ASSETS								
Cash and investments	\$ 237,361	90,886	28,045	222,571	40,594	5,756	-	245,490
Receivables:								
Accounts	-	-	1,799	-	-	-	27,089	-
Interest	934	327	106	851	161	23	-	952
Total assets	<u>\$ 238,295</u>	<u>91,213</u>	<u>29,950</u>	<u>223,422</u>	<u>40,755</u>	<u>5,779</u>	<u>27,089</u>	<u>246,442</u>
LIABILITIES								
Accounts payable	\$ 18,206	3,171	-	-	-	-	8,450	-
Accrued liabilities	1,168	-	-	-	-	-	3,699	-
Due to other funds	-	-	-	-	-	-	14,936	-
Total liabilities	<u>19,374</u>	<u>3,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,085</u>	<u>-</u>
FUND BALANCES								
Restricted								
Transportation	218,921	88,042	-	223,422	-	-	-	246,442
Public safety	-	-	-	-	40,755	5,779	4	-
Air quality improvement	-	-	29,950	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Government access TV	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>218,921</u>	<u>88,042</u>	<u>29,950</u>	<u>223,422</u>	<u>40,755</u>	<u>5,779</u>	<u>4</u>	<u>246,442</u>
Total liabilities and fund balances	<u>\$ 238,295</u>	<u>91,213</u>	<u>29,950</u>	<u>223,422</u>	<u>40,755</u>	<u>5,779</u>	<u>27,089</u>	<u>246,442</u>

Special Revenue Funds

Measure M	Recycling Grant	SB1 Road Maintenance	Surface Transportation Program - Local	Transportation Development Act	Community Development Block Grant	PEG Fees	Street Assessment District #1	Road Maintenance District #4	Total Non-major Governmental Funds
\$ 57,377	27,903	20,415	38,257	-	-	14,974	43,576	2,299	1,075,504
-	5,000	11,579	-	-	1,565	3,570	19	-	50,621
<u>203</u>	<u>113</u>	<u>61</u>	<u>175</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>172</u>	<u>9</u>	<u>4,151</u>
<u>\$ 57,580</u>	<u>33,016</u>	<u>32,055</u>	<u>38,432</u>	<u>-</u>	<u>1,565</u>	<u>18,608</u>	<u>43,767</u>	<u>2,308</u>	<u>1,130,276</u>
\$ -	-	-	38,054	-	-	457	13,100	1,267	82,705
-	-	-	-	-	-	-	-	-	4,867
-	-	-	-	-	1,565	-	-	-	16,501
-	-	-	38,054	-	1,565	457	13,100	1,267	104,073
57,580	-	32,055	378	-	-	-	-	-	866,840
-	-	-	-	-	-	-	-	-	46,538
-	-	-	-	-	-	-	-	-	29,950
-	33,016	-	-	-	-	-	30,667	1,041	64,724
-	-	-	-	-	-	18,151	-	-	18,151
-	-	-	-	-	-	-	-	-	-
<u>57,580</u>	<u>33,016</u>	<u>32,055</u>	<u>378</u>	<u>-</u>	<u>-</u>	<u>18,151</u>	<u>30,667</u>	<u>1,041</u>	<u>1,026,203</u>
<u>\$ 57,580</u>	<u>33,016</u>	<u>32,055</u>	<u>38,432</u>	<u>-</u>	<u>1,565</u>	<u>18,608</u>	<u>43,767</u>	<u>2,308</u>	<u>1,130,276</u>

CITY OF LA HABRA HEIGHTS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Special Revenue Funds							
	State Gas Tax	Proposition A	Air Quality Improvement	Proposition C	Supplemental Law Enforcement Services	Law Enforcement Equipment Program	Safer Grant	Measure R
Revenues:								
Taxes	\$ 114,107	-	-	-	-	-	-	-
Intergovernmental	-	101,828	6,832	83,722	139,416	-	173,849	63,262
Investment earnings	2,639	566	267	2,813	621	111	-	2,383
Charges for services	-	690	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Fees and other revenues	6,210	-	-	1,568	-	-	-	-
Total revenues	<u>122,956</u>	<u>103,084</u>	<u>7,099</u>	<u>88,103</u>	<u>140,037</u>	<u>111</u>	<u>173,849</u>	<u>65,645</u>
Expenditures:								
Current:								
Public safety	-	-	-	-	-	5,773	168,646	-
Public works	128,670	93,986	-	92,000	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>128,670</u>	<u>93,986</u>	<u>-</u>	<u>92,000</u>	<u>-</u>	<u>5,773</u>	<u>168,646</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,714)</u>	<u>9,098</u>	<u>7,099</u>	<u>(3,897)</u>	<u>140,037</u>	<u>(5,662)</u>	<u>5,203</u>	<u>65,645</u>
Other financing sources (uses):								
Transfers out	-	-	-	-	(150,000)	-	-	-
Total other financing sources (uses)	-	-	-	-	(150,000)	-	-	-
Net change in fund balances	(5,714)	9,098	7,099	(3,897)	(9,963)	(5,662)	5,203	65,645
Fund balances, beginning of year	<u>224,635</u>	<u>78,944</u>	<u>22,851</u>	<u>227,319</u>	<u>50,718</u>	<u>11,441</u>	<u>(5,199)</u>	<u>180,797</u>
Fund balances, end of year	<u>\$ 218,921</u>	<u>88,042</u>	<u>29,950</u>	<u>223,422</u>	<u>40,755</u>	<u>5,779</u>	<u>4</u>	<u>246,442</u>

Special Revenue Funds

Measure M	Recycling Grant	SBI Road Maintenance	Surface Transportaion Program - Local	Transportation Development Act	Community Development Block Grant	PEG Fees	Street Assessment District #1	Road Maintenance District #4	Total Non-major Governmental Funds
\$ -	-	32,011	-	-	-	-	-	-	146,118
57,330	5,000	-	-	-	1,565	-	-	-	632,804
250	320	44	1,278	23	-	144	472	17	11,948
-	-	-	-	-	-	-	-	-	690
-	-	-	-	-	-	-	872	944	1,816
-	-	-	-	-	-	<u>13,566</u>	-	-	21,344
<u>57,580</u>	<u>5,320</u>	<u>32,055</u>	<u>1,278</u>	<u>23</u>	<u>1,565</u>	<u>13,710</u>	<u>1,344</u>	<u>961</u>	<u>814,720</u>
-	-	-	-	-	-	-	-	-	174,419
-	2,171	-	-	9,923	-	-	13,100	1,267	341,117
-	-	-	-	-	1,565	-	-	-	1,565
-	-	-	<u>139,006</u>	-	-	<u>7,340</u>	-	-	<u>146,346</u>
-	<u>2,171</u>	-	<u>139,006</u>	<u>9,923</u>	<u>1,565</u>	<u>7,340</u>	<u>13,100</u>	<u>1,267</u>	<u>663,447</u>
<u>57,580</u>	<u>3,149</u>	<u>32,055</u>	<u>(137,728)</u>	<u>(9,900)</u>	<u>-</u>	<u>6,370</u>	<u>(11,756)</u>	<u>(306)</u>	<u>151,273</u>
-	-	-	-	-	-	-	-	-	<u>(150,000)</u>
-	-	-	-	-	-	-	-	-	<u>(150,000)</u>
57,580	3,149	32,055	(137,728)	(9,900)	-	6,370	(11,756)	(306)	1,273
-	<u>29,867</u>	-	<u>138,106</u>	<u>9,900</u>	-	<u>11,781</u>	<u>42,423</u>	<u>1,347</u>	<u>1,024,930</u>
<u>\$57,580</u>	<u>33,016</u>	<u>32,055</u>	<u>378</u>	<u>-</u>	<u>-</u>	<u>18,151</u>	<u>30,667</u>	<u>1,041</u>	<u>1,026,203</u>

CITY OF LA HABRA HEIGHTS

State Gas Tax Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budget Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 120,538	114,107	(6,431)
Investment earnings	800	2,639	1,839
Fees and other revenue	<u>37,727</u>	<u>6,210</u>	<u>(31,517)</u>
Total revenues	<u>159,065</u>	<u>122,956</u>	<u>(36,109)</u>
Expenditures:			
Current:			
Public works	<u>352,131</u>	<u>128,670</u>	<u>223,461</u>
Total expenditures	<u>352,131</u>	<u>128,670</u>	<u>223,461</u>
Net change in fund balances	(193,066)	(5,714)	187,352
Fund balance, beginning of year	<u>224,635</u>	<u>224,635</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 31,569</u></u>	<u><u>218,921</u></u>	<u><u>187,352</u></u>

CITY OF LA HABRA HEIGHTS

Proposition A Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 101,530	101,828	298
Investment earnings	100	566	466
Charges for services	<u>650</u>	<u>690</u>	<u>40</u>
 Total revenues	 <u>102,280</u>	 <u>103,084</u>	 <u>804</u>
 Expenditures:			
Current:			
Public works	<u>96,000</u>	<u>93,986</u>	<u>2,014</u>
 Total expenditures	 <u>96,000</u>	 <u>93,986</u>	 <u>2,014</u>
 Net change in fund balances	 6,280	 9,098	 2,818
 Fund balance, beginning of year	 <u>78,944</u>	 <u>78,944</u>	 <u>-</u>
 Fund balance, end of year	 <u><u>\$ 85,224</u></u>	 <u><u>88,042</u></u>	 <u><u>2,818</u></u>

CITY OF LA HABRA HEIGHTS

Air Quality Improvement Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 6,000	6,832	832
Investment earnings	30	267	237
	<u>6,030</u>	<u>7,099</u>	<u>1,069</u>
Total revenues			
Expenditures:			
Current:			
Public works	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures			
	-	-	-
Net change in fund balances	6,030	7,099	1,069
Fund balance, beginning of year	<u>22,851</u>	<u>22,851</u>	<u>-</u>
Fund balance, end of year	<u>\$ 28,881</u>	<u>29,950</u>	<u>1,069</u>

CITY OF LA HABRA HEIGHTS

Proposition C Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budget</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:			
Intergovernmental	\$ 84,216	83,722	(494)
Investment earnings	600	2,813	2,213
Fees and other revenue	<u>-</u>	<u>1,568</u>	<u>1,568</u>
Total revenues	<u>84,816</u>	<u>88,103</u>	<u>3,287</u>
Expenditures:			
Current:			
Public works	<u>347,000</u>	<u>92,000</u>	<u>255,000</u>
Total expenditures	<u>347,000</u>	<u>92,000</u>	<u>255,000</u>
Net change in fund balances	(262,184)	(3,897)	258,287
Fund balance, beginning of year	<u>227,319</u>	<u>227,319</u>	<u>-</u>
Fund balance, end of year	<u>\$ (34,865)</u>	<u>223,422</u>	<u>258,287</u>

CITY OF LA HABRA HEIGHTS

Supplemental Law Enforcement Services Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Positive</u>
			<u>(Negative)</u>
Revenues:			
Intergovernmental	\$ 100,000	139,416	39,416
Investment earnings	<u>200</u>	<u>621</u>	<u>421</u>
 Total revenues	 <u>100,200</u>	 <u>140,037</u>	 <u>39,837</u>
 Expenditures:			
Current:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>100,200</u>	 <u>140,037</u>	 <u>39,837</u>
 Other financing sources (uses):			
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
 Total other financing sources (uses)	 <u>(150,000)</u>	 <u>(150,000)</u>	 <u>-</u>
 Net change in fund balances	 (49,800)	 (9,963)	 39,837
 Fund balance, beginning of year	 <u>50,718</u>	 <u>50,718</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 918</u>	 <u>40,755</u>	 <u>39,837</u>

CITY OF LA HABRA HEIGHTS
Law Enforcement Equipment Program Special Revenue Fund
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 30	111	81
Total revenues	<u>30</u>	<u>111</u>	<u>81</u>
Expenditures:			
Current:			
Public safety	<u>11,937</u>	<u>5,773</u>	<u>6,164</u>
Total expenditures	<u>11,937</u>	<u>5,773</u>	<u>6,164</u>
Net change in fund balances	(11,907)	(5,662)	6,245
Fund balance, beginning of year	<u>11,441</u>	<u>11,441</u>	<u>-</u>
Fund balance, end of year	<u>\$ (466)</u>	<u>5,779</u>	<u>6,245</u>

CITY OF LA HABRA HEIGHTS

Safer Grant Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 186,797	173,849	(12,948)
	<u>186,797</u>	<u>173,849</u>	<u>(12,948)</u>
Total revenues			
	<u>186,797</u>	<u>173,849</u>	<u>(12,948)</u>
Expenditures:			
Current:			
Public safety	186,797	168,646	18,151
	<u>186,797</u>	<u>168,646</u>	<u>18,151</u>
Total expenditures			
	<u>186,797</u>	<u>168,646</u>	<u>18,151</u>
Net change in fund balances	-	5,203	5,203
Fund balance (deficit), beginning of year	<u>(5,199)</u>	<u>(5,199)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (5,199)</u></u>	<u><u>4</u></u>	<u><u>5,203</u></u>

CITY OF LA HABRA HEIGHTS

Measure R Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 63,164	63,262	98
Investment earnings	550	2,383	1,833
	<u>63,714</u>	<u>65,645</u>	<u>1,931</u>
Total revenues			
Expenditures:			
Current:			
Public works	240,000	-	240,000
	<u>240,000</u>	<u>-</u>	<u>240,000</u>
Total expenditures			
Net change in fund balances	(176,286)	65,645	241,931
Fund balance, beginning of year	180,797	180,797	-
Fund balance, end of year	<u>\$ 4,511</u>	<u>246,442</u>	<u>241,931</u>

CITY OF LA HABRA HEIGHTS

Measure M Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 55,000	57,330	2,330
Investment earnings	<u>-</u>	<u>250</u>	<u>250</u>
Total revenues	<u>55,000</u>	<u>57,580</u>	<u>2,580</u>
Expenditures:			
Current:			
Public works	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total expenditures	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Net change in fund balances	-	57,580	57,580
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>57,580</u></u>	<u><u>57,580</u></u>

CITY OF LA HABRA HEIGHTS

Recycling Grant Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 5,000	5,000	-
Investment earnings	<u>60</u>	<u>320</u>	<u>260</u>
Total revenues	<u>5,060</u>	<u>5,320</u>	<u>260</u>
Expenditures:			
Current:			
Public works	<u>29,000</u>	<u>2,171</u>	<u>26,829</u>
Total expenditures	<u>29,000</u>	<u>2,171</u>	<u>26,829</u>
Net change in fund balances	(23,940)	3,149	27,089
Fund balance, beginning of year	<u>29,867</u>	<u>29,867</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,927</u></u>	<u><u>33,016</u></u>	<u><u>27,089</u></u>

CITY OF LA HABRA HEIGHTS

SB1 Road Maintenance Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ -	32,011	32,011
Investment earnings	<u>-</u>	<u>44</u>	<u>44</u>
Total revenues	<u>-</u>	<u>32,055</u>	<u>32,055</u>
Expenditures:			
Current:			
Public works	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	32,055	32,055
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>32,055</u></u>	<u><u>32,055</u></u>

CITY OF LA HABRA HEIGHTS

Surface Transportation Program - Local Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment earnings	\$ 300	1,278	978
Total revenues	<u> 300</u>	<u> 1,278</u>	<u> 978</u>
Expenditures:			
Capital outlay	<u> 138,000</u>	<u> 139,006</u>	<u> (1,006)</u>
Total expenditures	<u> 138,000</u>	<u> 139,006</u>	<u> (1,006)</u>
Net change in fund balances	(137,700)	(137,728)	(28)
Fund balance, beginning of year	<u> 138,106</u>	<u> 138,106</u>	<u> -</u>
Fund balance, end of year	<u><u> 406</u></u>	<u><u> 378</u></u>	<u><u> (28)</u></u>

CITY OF LA HABRA HEIGHTS

Transportation Development Act Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budget Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 20,000	-	(20,000)
Investment earnings	<u>-</u>	<u>23</u>	<u>23</u>
 Total revenues	 <u>20,000</u>	 <u>23</u>	 <u>(19,977)</u>
 Expenditures:			
Current:			
Public works	<u>29,925</u>	<u>9,923</u>	<u>20,002</u>
 Total expenditures	 <u>29,925</u>	 <u>9,923</u>	 <u>20,002</u>
 Net change in fund balances	 (9,925)	 (9,900)	 25
 Fund balance, beginning of year	 <u>9,900</u>	 <u>9,900</u>	 <u>-</u>
 Fund balance, end of year	 <u><u>\$ (25)</u></u>	 <u><u>-</u></u>	 <u><u>25</u></u>

CITY OF LA HABRA HEIGHTS

Community Development Block Grant Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	<u>Budget Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ -</u>	<u>1,565</u>	<u>1,565</u>
Total revenues	<u>-</u>	<u>1,565</u>	<u>1,565</u>
Expenditures:			
Current:			
Community development	<u>-</u>	<u>1,565</u>	<u>(1,565)</u>
Total expenditures	<u>-</u>	<u>1,565</u>	<u>(1,565)</u>
Net change in fund balances	-	-	-
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 HEIGHTS

PEG Fees Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ 10	144	134
Fees and other revenue	10,400	13,566	3,166
Total revenues	10,410	13,710	3,300
Expenditures:			
Capital outlay	20,000	7,340	12,660
Total expenditures	20,000	7,340	12,660
Net change in fund balances	(9,590)	6,370	15,960
Fund balance, beginning of year	11,781	11,781	-
Fund balance, end of year	\$ 2,191	18,151	15,960

CITY OF LA HABRA HEIGHTS

Street Assessment District #1 Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment earnings	\$ -	472	472
Special assessments	<u>-</u>	<u>872</u>	<u>872</u>
 Total revenues	 <u>-</u>	 <u>1,344</u>	 <u>1,344</u>
 Expenditures:			
Current:			
Public works	<u>40,834</u>	<u>13,100</u>	<u>27,734</u>
 Total expenditures	 <u>40,834</u>	 <u>13,100</u>	 <u>27,734</u>
 Net change in fund balances	 (40,834)	 (11,756)	 29,078
 Fund balance, beginning of year	 <u>42,423</u>	 <u>42,423</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 1,589</u>	 <u>30,667</u>	 <u>29,078</u>

CITY OF LA HABRA HEIGHTS

Road Maintenance District #4 Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment earnings	\$ -	17	17
Special assessments	<u>-</u>	<u>944</u>	<u>944</u>
 Total revenues	 <u>-</u>	 <u>961</u>	 <u>961</u>
 Expenditures:			
Public works	<u>814</u>	<u>1,267</u>	<u>(453)</u>
 Total expenditures	 <u>814</u>	 <u>1,267</u>	 <u>(453)</u>
 Net change in fund balances	 (814)	 (306)	 508
 Fund balance, beginning of year	 <u>1,347</u>	 <u>1,347</u>	 <u>-</u>
 Fund balance, end of year	 <u><u>\$ 533</u></u>	 <u><u>1,041</u></u>	 <u><u>508</u></u>

Statistical Section

This part of the City of La Habra Heights 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 government's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules 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.

Demographic and Economic Information

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

Operating Information

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 that the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of La Habra Heights
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities					
Net investment in capital assets	\$ 2,340,291	\$ 5,860,224	\$ 5,865,094	\$ 6,018,277	\$ 5,810,495
Restricted	5,479,102	6,266,884	620,629	1,001,782	618,360
Unrestricted	1,779,644	(44,857)	5,479,124	5,600,659	6,494,172
Total governmental activities net position	<u>\$ 9,599,037</u>	<u>\$ 12,082,251</u>	<u>\$ 11,964,847</u>	<u>\$ 12,620,718</u>	<u>\$ 12,923,027</u>
Total primary government net position	<u>\$ 9,599,037</u>	<u>\$ 12,082,251</u>	<u>\$ 11,964,847</u>	<u>\$ 12,620,718</u>	<u>\$ 12,923,027</u>

(continued)

The City does not have any Business-Type activities.

Source: City of La Habra Heights Financial Reports

City of La Habra Heights
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities					
Net investment in capital assets	\$ 6,481,441	\$ 7,505,515	\$ 7,226,179	\$ 7,148,429	\$ 7,497,113
Restricted	1,022,793	1,078,230	835,193	1,030,129	1,008,017
Unrestricted	5,194,584	3,703,983	4,732,618	4,966,543	5,164,377
Total governmental activities net position	<u>\$ 12,698,818</u>	<u>\$ 12,287,728</u>	<u>\$ 12,793,990</u>	<u>\$ 13,145,101</u>	<u>\$ 13,669,507</u>
Total primary government net position	<u>\$ 12,698,818</u>	<u>\$ 12,287,728</u>	<u>\$ 12,793,990</u>	<u>\$ 13,145,101</u>	<u>\$ 13,669,507</u>

The City does not have any Business-Type activities.

City of La Habra Heights
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses					
Governmental activities:					
General government	\$ 963,015	\$ 1,042,358	\$ 965,926	\$ 901,951	\$ 1,083,952
Public safety	1,945,671	2,236,966	1,973,342	1,718,619	1,805,931
Public works	1,531,839	656,911	1,153,914	904,252	1,585,912
Community development	629,681	564,123	614,431	606,488	557,870
Parks and recreation	118,934	198,741	96,708	78,169	70,240
Interest on long-term debt	20,325	19,366	11,818	14,987	-
Total governmental activities expenses	<u>5,209,465</u>	<u>4,718,465</u>	<u>4,816,139</u>	<u>4,224,466</u>	<u>5,103,905</u>
Total Primary Government Expenses	<u>\$ 5,209,465</u>	<u>\$ 4,718,465</u>	<u>\$ 4,816,139</u>	<u>\$ 4,224,466</u>	<u>\$ 5,103,905</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 38,283	\$ 28,299	\$ 22,298	\$ 18,260	\$ 19,707
Public safety	443,341	365,963	282,656	1,307,119	1,650,832
Public works	346,058	357,818	352,637	339,208	30,285
Community development	330,924	267,215	353,743	239,829	313,255
Parks and recreation	79,610	79,812	73,745	79,321	60,847
Operating contributions and grants	993,700	1,055,517	556,097	763,309	565,301
Capital contributions and grants	-	1,942,768	-	104,212	698,343
Total governmental activities program revenues	<u>2,231,916</u>	<u>4,097,392</u>	<u>1,641,176</u>	<u>2,851,258</u>	<u>3,338,570</u>
Total Primary Government Program Revenues	<u>\$ 2,231,916</u>	<u>\$ 4,097,392</u>	<u>\$ 1,641,176</u>	<u>\$ 2,851,258</u>	<u>\$ 3,338,570</u>

(continued)

The City does not have any Business-Type activities.

Source: City of La Habra Heights Financial Reports

City of La Habra Heights
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Net (Expense)/Revenues					
Total Governmental activities	\$ (2,977,549)	\$ (621,073)	\$ (3,174,963)	\$ (1,373,208)	\$ (1,765,335)
General Revenues and Other Changes in Net Position					
Governmental activities:					
General revenues					
Property taxes	\$ 2,651,048	\$ 2,684,838	\$ 2,574,692	\$ 1,531,341	\$ 1,753,180
Sales and use taxes	54,397	32,495	27,194	28,929	36,031
Franchise taxes	171,177	118,377	135,510	136,099	135,119
Motor vehicle	21,045	18,164	28,043	3,064	-
Revenue from use of money and property	120,928	35,230	24,756	20,374	18,133
Fees and other revenues	206,785	215,183	267,364	309,272	125,181
Unrestricted grants and contributions	48,451	-	-	-	-
Total governmental activities	<u>3,273,831</u>	<u>3,104,287</u>	<u>3,057,559</u>	<u>2,029,079</u>	<u>2,067,644</u>
Change in Net Position					
Governmental activities	\$ 296,282	\$ 2,483,214	\$ (117,404)	\$ 655,871	\$ 302,309
Total Primary Government	<u>\$ 296,282</u>	<u>\$ 2,483,214</u>	<u>\$ (117,404)</u>	<u>\$ 655,871</u>	<u>\$ 302,309</u>

The City does not have any Business-Type activities.

Source: City of La Habra Heights Financial Reports

City of La Habra Heights
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses					
Governmental activities:					
General government	\$ 2,233,474	\$ 1,441,563	\$ 1,093,707	\$ 1,285,499	\$ 1,385,209
Public safety	2,007,319	1,959,534	2,023,311	2,142,354	2,264,988
Public works	597,443	719,588	1,202,726	815,823	817,714
Community development	241,821	188,558	205,672	494,129	397,640
Parks and recreation	82,366	79,323	157,561	173,594	-
Total governmental activities expenses	<u>\$ 5,162,423</u>	<u>\$ 4,388,566</u>	<u>\$ 4,682,977</u>	<u>\$ 4,911,399</u>	<u>\$ 4,865,551</u>

Program Revenues

Governmental activities:					
Charges for services:					
General government	\$ 319,793	\$ 151,924	\$ 132,278	\$ -	\$ -
Public safety	1,104,580	1,187,597	1,148,908	1,209,609	1,354,108
Public works	118,573	100,990	92,284	775	44,919
Community development	310,070	291,945	298,824	449,843	455,504
Parks and recreation	49,870	50,585	47,277	47,546	-
Operating contributions and grants	557,434	447,648	421,517	192,935	340,228
Capital contributions and grants	229,147	242,315	252,948	674,773	536,968
Total governmental activities program revenues	<u>\$ 2,689,467</u>	<u>\$ 2,473,004</u>	<u>\$ 2,394,036</u>	<u>\$ 2,575,481</u>	<u>\$ 2,731,727</u>

The City does not have any Business-Type activities.

Source: City of La Habra Heights Financial Reports

City of La Habra Heights
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net (Expense)/Revenues					
Total Governmental activities	<u>\$ (2,472,956)</u>	<u>\$ (1,915,562)</u>	<u>\$ (2,288,941)</u>	<u>\$ (2,335,918)</u>	<u>\$ (2,133,824)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
General revenues					
Property taxes	\$ 1,829,478	\$ 1,888,643	\$ 1,955,494	\$ 1,977,389	\$ 2,048,727
Sales taxes	34,847	24,442	35,628	37,477	37,075
Franchise taxes	146,196	154,912	152,314	140,682	149,914
Motor vehicle	-	-	-	-	-
Other taxes	243,365	210,265	182,878	234,685	202,315
Investment earnings	17,690	13,758	16,755	33,103	86,322
Miscellaneous	173,148	190,306	452,134	212,253	232,279
Total governmental activities	<u>2,444,724</u>	<u>2,482,326</u>	<u>2,795,203</u>	<u>2,635,589</u>	<u>2,756,632</u>
Change in Net Position					
Governmental activities	\$ (28,232)	\$ 566,764	\$ 506,262	\$ 299,671	\$ 622,808
Total Primary Government	<u>\$ (28,232)</u>	<u>\$ 566,764</u>	<u>\$ 506,262</u>	<u>\$ 299,671</u>	<u>\$ 622,808</u>

The City does not have any Business-Type activities.

Source: City of La Habra Heights Financial Reports

City of La Habra Heights
Fund Balance of Governmental Funds, Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Reserved	\$ 140,000	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-
Restricted			16,996	27,213	37,919
Unreserved	1,602,645	5,577,027	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	56,400	-	-
Unassigned	-	-	5,472,642	5,606,213	6,508,677
Total General Fund	<u>\$ 1,742,645</u>	<u>\$ 5,577,027</u>	<u>\$ 5,546,038</u>	<u>\$ 5,633,426</u>	<u>\$ 6,546,596</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
Unreserved, reported in nonmajor:					
Special revenue funds	770,246	(1,583,472)	-	-	-
Capital projects fund	3,771,356	283,882	-	-	-
Debt service fund	287,754	238,158	-	-	-
Designated for:					
Capital projects	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted for:					
Transportation	-	-	492,353	850,316	424,216
Public safety	-	-	109,235	127,574	162,052
Air quality improvement	-	-	19,041	23,892	32,092
Public works	-	-	-	-	-
Government Access TV	-	-	-	-	-
Unassigned	-	-	(8,821)	(151,827)	(3,475)
Total all other governmental funds	<u>\$ 4,829,356</u>	<u>\$ (1,061,432)</u>	<u>\$ 611,808</u>	<u>\$ 849,955</u>	<u>\$ 614,885</u>

Note: GASB 54 was implemented in 2011, prior years have no comparable data.

Source: City of La Habra Heights Financial Reports

City of La Habra Heights
Fund Balance of Governmental Funds
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund					
Nonspendable	\$ -	\$ 1,059	\$ 195,534	\$ 221,637	\$ 269,578
Restricted	48,351	4,141	538	-	-
Committed	979,907	50,000	1,150,000	-	-
Assigned	-	-	-	1,150,000	450,000
Unassigned	4,412,902	4,867,315	4,555,825	4,618,411	5,655,745
Total General Fund	<u>\$ 5,441,160</u>	<u>\$ 4,922,515</u>	<u>\$ 5,901,897</u>	<u>\$ 5,990,048</u>	<u>\$ 6,375,323</u>
All Other Governmental Funds					
Nonspendable	-	-	4,774	-	-
Restricted for:					
Transportation	772,617	931,267	726,419	882,552	866,840
Public safety	85,330	18,886	62,260	62,159	46,538
Air quality improvement	6,079	10,120	15,814	22,851	29,950
Public works	110,416	113,816	25,388	50,786	64,724
Government Access TV	-	-	-	11,781	18,151
Unassigned	(53,333)	(1,503)	(18,447)	(5,199)	-
Total all other governmental funds	<u>\$ 921,109</u>	<u>\$ 1,072,586</u>	<u>\$ 816,208</u>	<u>\$ 1,024,930</u>	<u>\$ 1,026,203</u>

Note: GASB 54 was implemented in 2011, prior years have no comparable data.

Source: City of La Habra Heights Financial Reports

City of La Habra Heights
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Taxes	\$ 2,902,284	\$ 2,877,559	\$ 1,792,964	\$ 1,865,136	\$ 2,019,229
Licenses and permits	197,472	112,924	147,294	190,403	134,882
Fines and penalties	62,333	56,312	55,284	25,033	19,098
Revenue from use of money and property	139,925	39,059	27,021	22,332	21,236
Charges for services	498,508	531,460	564,372	484,860	735,728
Intergovernmental revenues	941,295	2,045,482	2,326,760	589,830	1,280,856
Fees and other revenues	362,802	187,583	204,312	247,487	233,544
Special assessments	345,749	356,611	1,338,264	1,303,379	1,113,468
Total revenues	<u>\$ 5,450,368</u>	<u>\$ 6,206,990</u>	<u>\$ 6,456,271</u>	<u>4,728,460</u>	<u>5,558,041</u>
Expenditures					
General government	935,020	1,004,729	920,505	843,262	1,038,886
Public safety	1,896,008	2,077,971	1,851,327	1,633,006	1,738,524
Public works	1,501,439	3,460,869	1,046,446	755,027	700,072
Parks & recreation	35,992	144,219	80,348	43,310	29,631
Planning/community development	629,681	984,208	614,431	606,488	557,870
Capital outlay	516,906	482,812	192,375	243,690	814,958
Debt service:					
Principal	47,981	89,222	94,015	252,642	-
Interest	2,937	19,366	14,573	25,550	-
Total expenditures	<u>5,565,964</u>	<u>8,263,396</u>	<u>4,814,020</u>	<u>4,402,975</u>	<u>4,879,941</u>
Excess (deficiency) of revenues over expenditures	(115,596)	(2,056,406)	1,642,251	325,485	678,100
Other Financing Sources (Uses)					
Transfers in	503,449	4,118,972	769,880	389,096	100,000
Transfers out	(503,449)	(4,118,972)	(769,880)	(389,096)	(100,000)
Capital lease	337,018	-	-	-	-
Total other financing sources (uses)	<u>337,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 221,422</u>	<u>\$ (2,056,406)</u>	<u>\$ 1,642,251</u>	<u>\$ 325,485</u>	<u>\$ 678,100</u>
Debt services as a percentage of noncapital expenditures	1.01%	2.36%	2.35%	6.58%	0.00%

City of La Habra Heights
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues					
Taxes	\$ 2,613,166	\$ 2,632,950	\$ 2,628,931	\$ 2,506,126	\$ 2,552,734
Licenses and permits	227,094	190,127	180,860	358,847	323,090
Fines and penalties	16,700	33,869	14,890	52,107	115,036
Revenue from use of money and property	20,016	16,386	19,602	26,852	80,074
Charges for services	460,488	442,668	419,584	132,731	165,081
Intergovernmental revenues	384,419	271,363	310,198	567,146	559,070
Fees and other revenues	237,287	293,353	554,713	474,278	531,186
Special assessments	1,053,170	1,066,388	1,054,254	1,086,735	1,155,841
Total revenues	<u>5,012,340</u>	<u>4,947,104</u>	<u>5,183,032</u>	<u>5,204,822</u>	<u>5,482,112</u>
Expenditures					
General government	2,911,905	1,556,851	939,766	1,280,618	1,139,643
Public safety	2,001,563	1,874,623	1,983,264	2,128,704	2,208,453
Public works	489,975	617,684	962,823	744,146	756,787
Parks & recreation	36,054	39,919	127,138	143,215	-
Planning/community development	241,821	192,096	214,264	494,129	397,640
Capital outlay	130,234	1,033,099	232,773	168,577	593,041
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>5,811,552</u>	<u>5,314,272</u>	<u>4,460,028</u>	<u>4,959,389</u>	<u>5,095,564</u>
Excess (deficiency) of revenues over expenditures	(799,212)	(367,168)	723,004	245,433	386,548
Other Financing Sources (Uses)					
Transfers in	435,414	222,791	258,722	242,089	532,544
Transfers out	(435,414)	(222,791)	(258,722)	(242,089)	(532,544)
Capital lease	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (799,212)</u>	<u>\$ (367,168)</u>	<u>\$ 723,004</u>	<u>\$ 245,433</u>	<u>\$ 386,548</u>
Debt services as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

City of La Habra Heights
 Assessed Value of Taxable Property
 Last Ten Fiscal Years

Category	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Residential	1,026,663,354	1,033,642,293	992,992,230	1,014,606,414	1,038,016,091	1,079,752,735	1,134,775,769	1,188,190,843	1,247,893,550	1,293,016,470
Commercial	504,073	2,720,645	2,714,196	2,734,633	2,789,324	2,845,110	2,858,025	2,915,127	2,959,581	3,018,772
Industrial	1,481,709	2,916,252	2,909,335	2,931,237	2,989,856	5,223,770	5,247,482	5,352,324	5,433,944	5,542,620
Institutional	1,061,206	1,082,429	1,079,863	5,416,043	1,109,752	1,131,946	5,660,426	3,133,049	3,753,337	1,088,578
Miscellaneous	423,698	432,171	431,146	434,392	443,079	451,940	453,990	463,060	632,561	552,011
Recreational	3,422,414	3,517,591	3,169,240	10,505,783	10,784,495	8,438,822	8,303,101	8,399,128	9,010,419	6,887,362
Vacant	64,212,447	61,067,359	58,375,336	56,442,199	53,341,514	58,291,418	57,367,204	59,917,622	58,664,217	60,976,202
SBE Nonunitary	422,855	422,855	423,363	423,363	423,363	423,363	423,363	423,363	3,251,089	3,251,089
Cross Reference	47,319,164	57,881,776	33,934,835	34,691,648	43,716,122	52,444,363	47,492,612	36,604,673	21,984,745	22,498,374
Unsecured	6,263,248	8,895,338	2,567,725	2,499,886	2,574,835	3,188,271	3,133,242	2,900,434	3,528,276	4,132,801
Exempt	(13,745,161)	(13,745,161)	(13,734,792)	(13,734,792)	(13,734,942)	(13,734,942)	(13,744,456)	(13,744,456)	(13,726,017)	(13,726,017)
TOTALS	1,151,774,168	1,172,578,709	1,098,597,269	1,130,685,598	1,156,188,431	1,212,191,738	1,265,715,214	1,308,299,623	1,357,111,719	1,400,964,279
Total Direct Rate	0.10189	0.10194	0.10177	0.10180	0.10183	0.10187	0.10195	0.10183	0.10181	0.10208

Notes:

Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited 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 of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value 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.

Data Source: Los Angeles County Assessor 2008/09 - 2017/18 Combined Tax Rolls

City of La Habra Heights
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	City Share of 1% Levy per Prop 13	Prop 13 Direct Tax Less City Share 1%	Overlapping Rates (3)				Total Direct and Overlapping Tax Rates	(4) Total Direct Rate
			City School District	High School District	Community College District	Water District		
2009	0.10039	0.89961	0.03320	0.07048	0.03813	0.00430	1.14611	0.10189
2010	0.10039	0.89961	0.03553	0.05753	0.04363	0.00430	1.14099	0.10194
2011	0.10039	0.89961	0.03638	0.06059	0.36148	0.00370	1.46215	0.10177
2012	0.10039	0.89961	0.03680	0.05617	0.05160	0.00370	1.14827	0.10180
2013	0.10039	0.89961	0.04024	0.06135	0.04714	0.00350	1.15223	0.10183
2014	0.10039	0.89961	0.03900	0.05908	0.04573	0.00350	1.14731	0.10187
2015	0.10039	0.89961	0.03878	0.06608	0.04525	0.00350	1.15361	0.10195
2016	0.10039	0.89961	0.03826	0.06295	0.04321	0.00350	1.14792	0.10183
2017	0.10039	0.89961	0.01695	0.08854	0.05693	0.00350	1.16592	0.10181
2018	0.10039	0.89961	0.03689	0.08775	0.05675	0.00350	1.18489	0.10208

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- (1) Rate includes Fullerton Union High Schools and Whittier Union High School Districts.
- (2) Rate includes N. Orange Co Community College and Rio Hondo Community College Districts.
- (3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (4) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information. The percentages presented in the columns above do not sum across rows.

Source: Hdl Coren & Cone

City of La Habra Heights
Principal Property Tax Payers
Current Year and Nine Years Ago

	2017/18		2008/09	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
<u>Taxpayers</u>				
CA Resources Products Corporation	\$ 21,197,137	1.51%		
Matrix Oil Management Corporation	\$ 16,282,975	1.16%		
Hacienda Inc	\$ 9,275,753	0.66%	\$ 4,927,822	0.43%
Zhang GS	\$ 5,269,822	0.38%		
Tjie Giok Sang	\$ 4,574,360	0.33%		
Chandulal K. Patel Co-Trustee	\$ 3,908,665	0.28%	\$ 3,453,578	0.30%
Li Larry X Co-Trustee Larry Li and Jie Gu	\$ 3,356,779	0.24%		
Southern California Gas Company	\$ 3,251,089	0.23%		
Scott E Jordan	\$ 3,213,364	0.23%	\$ 2,839,242	0.25%
Chi Hong Chiang Co-Trustee	\$ 3,201,324	0.23%		
Vintage Production California LLC			\$ 46,674,588	4.05%
Thomas and Martha Ramirez			\$ 5,101,698	0.44%
Head Family Trust			\$ 2,705,040	0.23%
CAC Exchange LLC Time Warner Cable			\$ 4,538,700	0.39%
Leslie R. Brewer			\$ 2,312,000	0.20%
Anna E Kireliuk Trust			\$ 2,297,000	0.20%
Herrera Living Trust			\$ 2,295,000	0.20%
	<u>\$ 73,531,268</u>	<u>5.25%</u>	<u>\$ 77,144,668</u>	<u>6.70%</u>
City Totals	\$ 1,400,964,279		\$ 1,151,774,168	

Source: Hdl Coren & Cone

City of La Habra Heights
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 the Levy		(A) Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	(1)	1,199,396	(1)	-	\$ 1,199,396.00	(1)
2010	(1)	1,127,886	(1)	(22,609)	\$ 1,105,277.00	(1)
2011	\$ 1,312,104	1,122,106	85.52%	-	\$ 1,122,106.00	85.52%
2012	\$ 1,362,800	1,061,147	77.87%	-	\$ 1,061,147.00	77.87%
2013	\$ 1,331,444	1,061,147	79.70%	(3,662)	\$ 1,057,485.00	79.42%
2014	\$ 1,289,972	1,285,324	99.64%	(14,089)	\$ 1,271,235.00	98.55%
2015	\$ 1,401,529	1,323,273	94.42%	(15,896)	\$ 1,307,377.00	93.28%
2016	\$ 1,451,980	1,360,180	93.68%	(27,738)	\$ 1,332,442.00	91.77%
2017	\$ 1,453,840	1,398,777	96.21%	(14,935)	\$ 1,383,842.41	95.19%
2018	\$ 1,524,387	1,453,135	95.33%	(14,568)	\$ 1,438,567.35	94.37%

The City recorded both secured and unsecured taxes levied.

(A) Information provided by Los Angeles County may not clearly identify the year collected.

Note: (1) Information is unavailable at this time.

Source: Los Angeles County Auditor Controller's Office and Administrative Services Department

City of La Habra Heights
Ratio of Outstanding debt by Type
Last Ten Fiscal Years

Governmental Activities

Fiscal Year	Tax Allocation Bonds	Special Tax Bonds	Notes Payable	Lease Revenue Bonds	Loan Payable	Lease Payable	* Total Primary Government	Percentage of Personal Income (a)	Per Capita(a)
2009	-	-	98,861	-	-	337,018	435,879	0.12%	\$ 7.20
2010	-	-	49,920	-	-	296,737	346,657	0.10%	5.90
2011	-	-	-	-	-	252,642	252,642	0.08%	4.90
2012	-	-	-	-	-	-	-	0.00%	-
2013	-	-	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	-	-	0.00%	-
2016	-	-	-	-	-	-	-	0.00%	-
2017	-	-	-	-	-	-	-	0.00%	-
2018	-	-	-	-	-	-	-	0.00%	-

Notes: * Excludes non-committal debt. Details regarding the city's outstanding debt can be found in the notes to the financial statements.

a) These ratios are calculated using Personal Income and Per Capita Personal Income

Source: City of La Habra Heights, Finance Department

City of La Habra Heights
 Direct and Overlapping Governmental activities Debt
 June 30, 2018

City Assessed Valuation	\$ 1,400,964,279
Successor Agency/RDA Incremental Value	-
Total 2017-18 Assessed Valuation	<u>\$ 1,400,964,279</u>

	Outstanding Debt 6/30/2018	City Percentage	Estimated Overlapping Debt
Overlapping debt:			
Metropolitan Water District*	\$ 29,354,442	0.122%	\$ 35,884
East Whittier DS 2016 Ser A Measure R	19,000,000	1.598%	303,552
East Whittier DS 2016 Ser A Measure Z	6,000,000	1.598%	95,858
Fullerton Unified HS 2010 Refunding	1,938,625	46.117%	894,031
Fullerton Unified HS 2014 Series B	3,317,433	46.117%	1,529,892
Fullerton Joint Union HSD DS 2013 Ref Bond	1,665,351	46.117%	768,006
Fullerton Joint Union HSD DS 2014 Series 2015A	3,168,978	46.117%	1,461,429
Fullerton Joint Union HSD DS 2014 Series 2017	3,980,919	46.117%	1,835,870
Whittier Union HSD DS 2008 Series 2009A	480,682	0.521%	2,503
Whittier Union HSD DS 2008 Series 2014B	12,465,000	0.521%	64,919
Whittier Union HSD DS 2008 Series 2015C	67,050,000	0.521%	349,204
Whittier Union HSD DS 2015 Ref Bonds	65,658,679	0.521%	341,957
N. Orange County CCD 2002 Series 2005 ref	2,431,538	45.024%	1,094,771
N. Orange County CCD 2014 Series 2016A	1,630,203	45.024%	733,980
Rio Hondo CCD DS 2005 Refunding Bonds	31,650,000	0.333%	105,319
Rio Hondo CCD DS 2004 Series 2008	116,557,824	0.333%	387,859
Total overlapping debt			<u>10,005,034</u>
City direct debt			-
Total direct and overlapping debt			<u>\$ 10,005,034</u>

Notes:

* This fund is a portion of a larger agency, and is responsible for debt in areas outside of the city.

This report reflects debt which is repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by City.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Source: HDL Coren and Cone and Los Angeles County Assessor

City of La Habra Heights
 Legal Debt Margin Information
 Last Ten Fiscal Years

Legal debt Margin Calculation for Fiscal Year 2017

Total assessed value of all real and personal property	\$	1,400,964,279	
Debt limit percentage			3.75%
Total debt limit	\$	52,536,160	
Amount of debt applicable to debt limit			0
Legal debt margin	\$	52,536,160	
Total debt applicable to the limit as a percentage			0%

The City has no bonded debt applicable to the limit.

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total debt applicable to the limit as a percentage of debt limit</u>
2009	\$ 43,191,531	0%
2010	\$ 43,971,702	0%
2011	\$ 41,197,398	0%
2012	\$ 42,400,710	0%
2013	\$ 43,357,066	0%
2014	\$ 45,457,190	0%
2015	\$ 47,464,317	0%
2016	\$ 49,061,236	0%
2017	\$ 51,725,684	0%
2018	\$ 52,536,160	0%

Note: California Government Code, Section 43605 sets the debt limit at 15%. The code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown starting FY 2008-09 is 3.75% is (one-fourth the limit of 15%).

City of La Habra Heights
Pledged-Revenue Coverage
Last Ten Fiscal Years

**The City of La Habra Heights does not have any bonded debt.
Therefore, this schedule is not applicable.**

City of La Habra Heights
 Demographic and Economic Statistics
 June 30, 2018

General Information

Date of Incorporation	1978
Form of Government	Council/Manager
Area	6.2 square miles
Miles of Streets	42.1

Demographic and statistical Information

Population	5,454
Median Household Income	\$118,871
Median Age of Population	53
Residential Units	1,889 (zoning is 1-acre (4,000 m ²) lot)
Registered Voters	3623
Assessed Valuation	\$1,400,964,279
Number of Businesses	4
Unemployment Rate (county)	4.10%
Unemployment Rate (city)	1.60%

Public Safety

Police Protection	Los Angeles County Sheriff Department direct patrol and support services
Fire Protection	Combination paid and volunteer fire fighters

Recreation

Parks	1
Park Acreage	10
Golf Course (private)	1
Golf Course (private) Acreage	169
Open Space Conservation	1
Open Space Conservation Acreage	720
Library	0

Water Services

Service Provider	La Habra Heights Water County District
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Education

School District	Lowell Joint Elementary School District; La Habra High School/Sonora High School
Schools	2 High School, 1 Middle School, 2 Elementary Schools
Student Enrollment	N/A
University	0

City Employees

Full-Time	13
Part-Time	approx. 34

Source: City of La Habra Heights, various departments & State of California Employment Development Department, California Department of Finance

City of La Habra Heights
Demographic and Economic Statistics
June 30, 2018

Calendar Year	(1) Population	(3) Personal Income (in thousands)	(3) Per Capita Personal Income	(2) Unemployment Rate
2008	6,095	\$ 369,220	\$ 60,578	3.0%
2009	6,128	\$ 360,258	\$ 58,789	4.8%
2010	6,161	\$ 317,871	\$ 51,594	5.2%
2011	5,352	\$ 283,485	\$ 52,968	5.1%
2012	5,379	\$ 286,120	\$ 53,192	3.8%
2013	5,420	\$ 272,664	\$ 50,307	3.0%
2014	5,422	\$ 266,784	\$ 49,204	2.6%
2015	5,459	\$ 276,880	\$ 50,719	2.1%
2016	5,463	\$ 277,750	\$ 50,842	1.6%
2017	5,454	\$ 318,208	\$ 58,344	2.5%

Notes:

- (1) California State department of Finance.
- (2) California Employment Development Department.
- (3) HDL Coren and Cone.

City of La Habra Heights
 Principal Employers
 Current Year and Nine Years Ago

<u>Employer</u>	2018		2009	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Hacienda Golf Course (+)	210	8.75%	(A)	(A)
Heights Christian School	30	1.25%	25	(A)
City of La Habra Heights (+)	45	1.88%	52	(A)
La Habra Heights County Water District	10	0.42%	(A)	(A)
Matrix Oil Corporation	5	0.21%	(A)	(A)
Total	300	12.50%	77	
Labor Force (1)		2,400		(A)

Source:

Results based on direct correspondence with City's local businesses.

(A) Data is unavailable at this time.

(+) Includes full-time and part-time.

(1) Total City Labor Force provided by EDD Labor Force Data (2015 data).

City of La Habra Heights
 Full-time-Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General										
Administration (a)	7	7	6	5	7	8.2	7.95	7	7	6
Public Safety										
Police (b)	0	0	0	0	0	0	0	0	0	0
Fire	3	1	2	1	2	2.8	2.9	2.8	2.75	3.75
Community Development	3	1	1	1	2.9	1.85	2.05	2	2	3
Public Works (c)	2	0	1	1	1.1	1.15	1.1	1.2	1	2
Transit (d)	0	0	0	0	0	0	0	0	0	0
Total	15	9	10	8	13	14	14	13	13	15

- (a) The City contracts with the City of Brea for information technology services.
- (b) The City contracts with LA County Sheriff's for police services and contracts with Data Tickets for parking and code enforcement processing services.
- (c) The City contracts for engineering services.
- (d) The City contracts with City of Whittier for transit (dial-a-ride) services.

Source: City of La Habra Heights, Finance Department - Annual Budget

City of La Habra Heights
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Building permits issued	(1)	268	328	359	360	511	402	443	398	627
Police										
Arrests (a)	96	112	56	45	51	45	39	46	43	40
Parking citations issued (b)	(1)	(1)	37	7	8	21	21	11	3	21
Code Enforcement citation issued (b)	(1)	2	15	54	35	69	25	18	31	6
Fire										
Number of emergency calls	490	549	554	503	502	483	462	485	475	490
Inspections	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235	2,235
Public Works										
Street rehabilitation resurfacing (square feet)	-	1,519,881	864,722	-	103,500	-	-	290,769	-	52,000
Parks and recreation										
Facility reservations issued	169	164	167	144	99	96	64	75	78	83
Transit										
Total route miles	(1)	(1)	(1)	7,466	4,454	1,836	2,546	4,598	4,500	4,233
Passengers	(1)	(1)	(1)	1,560	862	506	615	991	985	792

Sources: City of La Habra Heights, various departments; LA County Sheriffs; Data Ticket

Notes:

(a) Based on annual arrest counts.

(b) Data was not available for Fiscal Year 2009-2010. City contracts Data Tickets for Parking and code Enforcement for citations processing.

(1) Data is unavailable.

City of La Habra Heights
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

<u>Function/Program</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations (a)	0	0	0	0	0	0	0	0	0	0
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	42.1	42.1	42.1	42.1	42.1	42.1	42.1	42.1	42.1	42.1
Traffic signals	3	3	3	3	3	3	3	3	3	3
Park	1	1	1	1	1	1	1	1	1	1
Park and open space acreage	166	166	166	166	166	166	166	166	166	166
Parks and recreation										
Playground	1	1	1	1	1	1	1	1	1	1
Gazebo	1	1	1	1	1	1	1	1	1	1
Horse Arena	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1	1	1
Transit-buses (b)	0	0	0	0	0	0	0	0	0	0

Notes:

(a) The City contracts police services with the Los Angeles County Sheriff's department.

(b) The City has one bus that is being used by the City of Whittier. La Habra Heights contracts with City of Whittier for the Dial-A-Ride services.

Sources: City of La Habra Heights, Various Departments