

City of La Habra, California
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2013



Prepared by the Department of Finance and Administrative Services

James D. Sadro, Director/Treasurer

Melvin Shannon, Deputy Director of Finance



CITY OF LA HABRA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

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INTRODUCTORY SECTION





City of La Habra

“A Caring Community”

ADMINISTRATIVE BUILDING

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

June 27, 2014

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

The Comprehensive Annual Financial Report of the City of La Habra for the fiscal year ended June 30, 2013 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City Administration. To the best of our knowledge and belief, the enclosed data are accurate in all materials respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of La Habra. Disclosures necessary to enable a reader to gain an understanding of the City’s financial activities have been included. A more comprehensive analysis of the City’s financial health can be found in the Management Discussion and Analysis section of this report.

FISCAL YEAR 2012-2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City of La Habra is required to undergo an annual audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget’s Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal and state awards and the independent auditor’s reports on internal controls and compliance with applicable laws and regulations, is included in a separately issued compliance report.

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

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

CITY LOCATION AND CHARACTER

The City of La Habra (population 61,202) is located in the northwest corner of the County of Orange, California, approximately 20 miles east of downtown Los Angeles. La Habra is known as a unique suburban residential community where residents have access to, and participate in, the greater Orange County and Los Angeles County economies. La Habra is largely built out (90 percent developed by the mid-1970's), with the majority of residential housing constructed in the 1950's.

Net Taxable Assessed Value (NTAV) for FY 12/13 was \$4,857,677,545, which is 1.36 percent more than FY 11/12. Based on data from the 2008-2012 U.S. Census Bureau-American Community Survey 5-year Estimates, the median household income is higher than the state and national averages, but is lower than the average of Orange County cities.

The City is largely residential with a stable population that has remained virtually unchanged over the past decade. Unemployment had been relatively modest through 2007; however, it began increasing in 2008 due to the global recession that started that year. Since the end of the recession the City's unemployment has dropped slightly and was 6.4 percent in 2013.

FINANCIAL INFORMATION

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

Single Audit

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

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2013 are provided under a separate report.

Budget Controls

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

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

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

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

Long-Term Financial Planning

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

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

General Fund Balance

The total General Fund balance as of June 30, 2013 was \$14,449,728. Of this amount, \$8,716,824 is considered non-spendable and unavailable for appropriation. The unassigned, or available portion of fund balance was \$5,732,904.

Prudent financial management necessitates that sufficient reserves be established to provide funding for emergencies, disaster recovery, unanticipated expenses and to demonstrate creditworthiness to credit rating agencies. Among municipalities, unrestricted reserve levels typically range from 5 percent to 50 percent, or more, of annual expenditure budgets and can fluctuate based on availability of funds and individual reserve policies. As of June 30, 2013, the City's unassigned reserve level equaled 16.4 percent of the amended FY 12/13 General Fund expenditure budget.

Long-Term Liabilities

As of fiscal year ended June 30, 2013, the City had several outstanding debt issues and other long-term liabilities totaling \$57.5 million, including:

- \$9.0 million of debt in the Successor Agency Private-Purpose Trust Fund
- \$1.5 million in special tax bonds reported in the Successor Agency Private-Purpose Trust Fund
- \$17.3 million in certificates of participation
- \$6.3 million in tax allocation bonds reported in the Successor Agency Private-Purpose Trust Fund
- \$25.2 million in revenue bonds
- \$2.8 million in various notes, leases and loans of which \$1.1 million is reported in the Successor Agency Private-Purpose Trust Fund
- \$4.3 million for compensated absences

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

Capital Assets

The capital assets of the City’s governmental activities are those used in the performance of general government functions and exclude the capital assets of the Enterprise Funds and the Successor Agency Private-Purpose Trust Fund, but does include the capital assets of the Internal Service Funds. As of June 30, 2013, the capital assets (net of depreciation) of the City’s governmental activities amounted to \$81,443,804. This amount represents the original cost of the assets or estimated historical cost if actual historical cost is not available. Depreciation of capital assets is recognized in the City’s financial statements using the straight-line method based on the estimated useful life of an asset.

Enterprise Operations

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

Enterprise Operation	Net Position Beginning	Operating Revenue	Operating Expenses	Non-Operating Revenues (Expenses)	Net Transfers In and (Out)	Net Position Ending
Water	\$ 17,243,285	\$ 13,045,637	\$ 8,962,528	\$ (1,047,981)	\$ (214,759)	\$ 20,063,654
Sewer	9,528,416	1,541,770	2,012,774	(9,717)	(65,614)	8,982,081
Housing Authority	5,550,979	1,584,262	935,312	(728,489)	-	5,471,440
Refuse	3,386,991	3,127,694	3,049,222	(6,485)	(104,844)	3,354,134
Children's Museum	592,799	439,684	423,743	2,303	42,500	653,543
Mobile Home Lease	1,663,754	2,683,325	2,092,054	(1,319)	-	2,253,706
	\$ 37,966,224	\$ 22,422,372	\$ 17,475,633	\$ (1,791,688)	\$ (342,717)	\$ 40,778,558

Cash Management

To assure the most competitive rates on investments, the City maintains a cash and investment pool that is available for use by all funds, except for bond proceeds and bond reserves, which are required to be held by a third-party trustee bank. The City’s investments are guided by an investment policy that is annually reviewed and adopted by the City Council and is in compliance with statutory requirements for municipal investments. In January 2005, the City submitted its adopted 2005 Investment Policy to the Association of Public Treasurers of the United States and Canada (APT US&C) for review and certification. In July 2005, the APT US&C completed their review and certified the City’s 2005 Investment Policy as “meeting the standards set forth” by their organization. Annually, the City and its investment advisors review the City’s Investment Policy to determine what, if any, changes are prudent or necessary due to market and/or legislative changes.

As of June 30, 2013, the City had \$59,400,206 in cash and short-term investments such as securities of the U.S. Government and funds held with the State of California Local Agency Investment Fund. Of the City's total cash and investments, \$4,174,259 is held with fiscal agents and \$13,503,779 is held on behalf of the Successor Agency and in agency funds in a fiduciary capacity. The City's investment philosophy is to minimize credit and market risks while maintaining a competitive yield on its portfolio, to ensure that funds are available when needed, to manage its pooled idle cash position under the prudent investor's rule, and to maximize the productive use of assets entrusted to its care.

Risk Management

The City has established a Risk Management division that is tasked with minimizing the loss of City assets caused by accidental loss, resulting from employee injuries or from third-party liability claims. This is accomplished by effectively utilizing management techniques of risk retention, risk transfer, loss prevention and loss reduction. There are two self-insured programs administered by the City: liability and industrial injury. The City became self-insured for liability claims and settlements in March 1976. Through reinsurance, a stop loss of \$300,000 per occurrence has been established. The City became self-insured for industrial injury (workers compensation) in 1974. Through reinsurance, a stop loss of \$750,000 for each miscellaneous and \$1,000,000 for each public safety occurrence has been established.

In the Risk Management Internal Service Fund, a Workers Compensation and General Liability exposure amount has been calculated to provide for future claims resulting from injuries and incidents occurring through June 30, 2013. The City's exposure has been calculated at \$2,546,066, with net position of \$2,745,622 available to address these potential costs.

INDEPENDENT AUDIT

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

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

ACKNOWLEDGEMENTS

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

We wish to acknowledge the professional manner in which Macias Gini & O'Connell LLP conducted the audit and express our appreciation for their assistance and expertise.

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

Respectfully submitted,

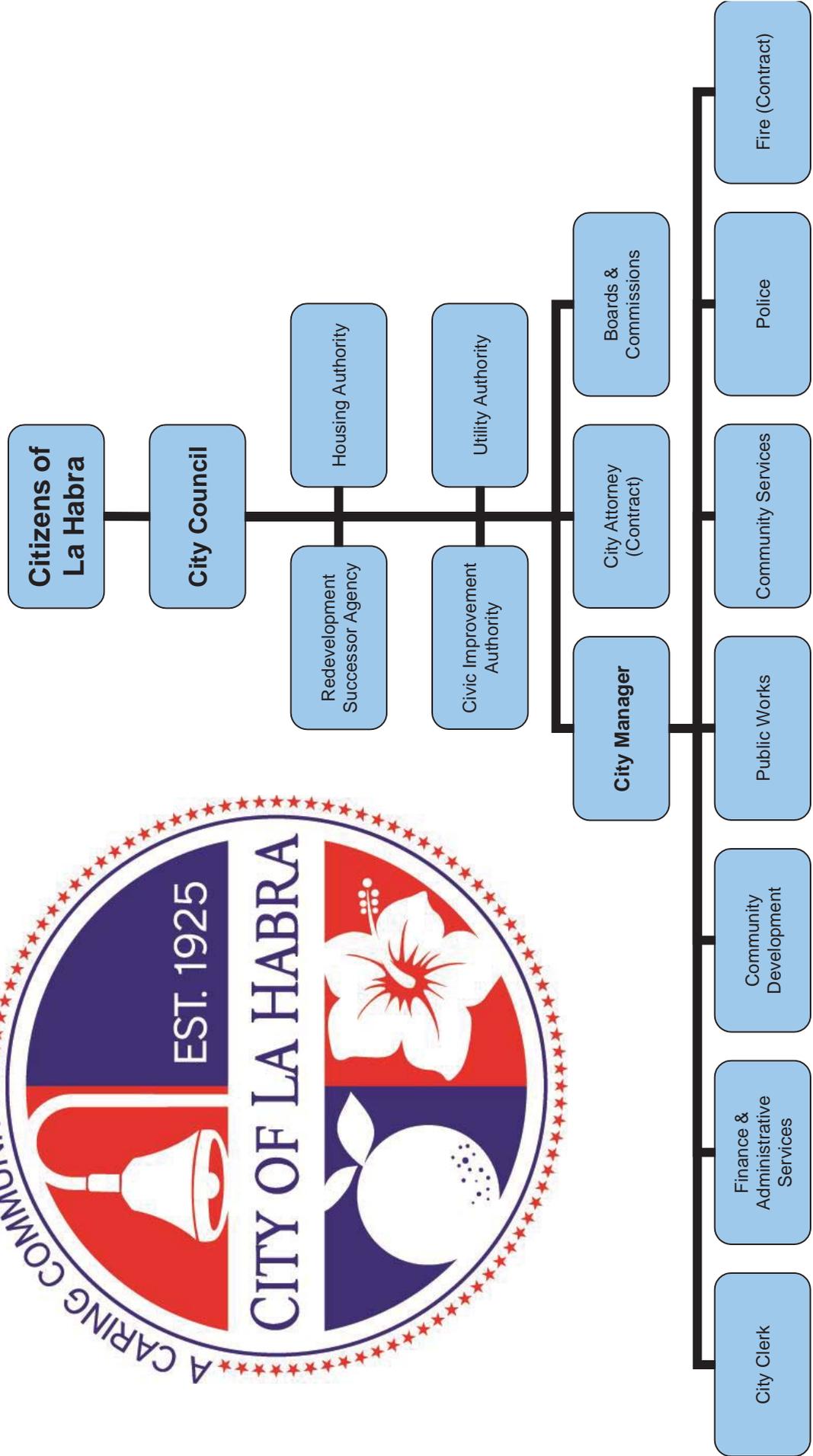


James D. Sadro
Interim City Manager



Melvin Shannon
Acting Director of Finance/City Treasurer

City of La Habra Organization and Services



CITY OF LA HABRA

CITY OFFICIALS AS OF JUNE 30, 2013

MEMBERS OF THE CITY COUNCIL

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

City Manager

Donald J. Hannah

CITY ATTORNEY

Richard Jones

City Clerk

Tamara D. Mason, MMC

DIRECTOR OF FINANCE & ADMINISTRATIVE SERVICES

James D. Sadro

DIRECTOR OF COMMUNITY DEVELOPMENT

Michael Haack

DIRECTOR OF COMMUNITY SERVICES

Salvatore Failla

DIRECTOR OF PUBLIC WORKS

Elias Saykali

ACTING CHIEF OF POLICE

Jerry Price

ASSISTANT CHIEF OF FIRE

Scott Mahan
(Los Angeles County Fire)

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of La Habra, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Habra, California (City), as of and for the year ended June 30, 2013, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and other schedule, and the other information, such as the introductory and statistical sections 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 other schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedule 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 June 27, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Fini & O'Connell LLP

Newport Beach, California
June 27, 2014

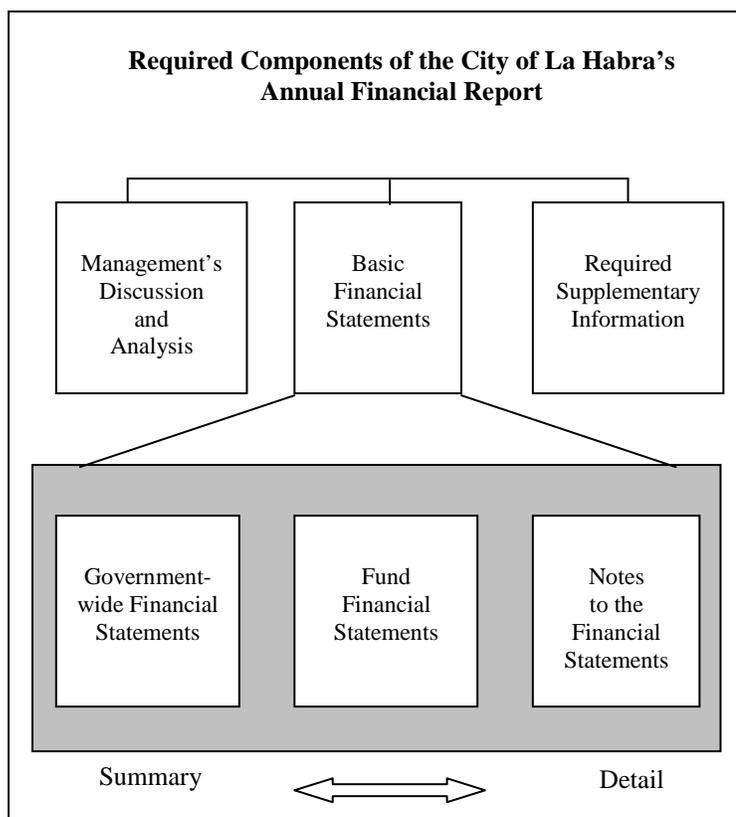
Management’s Discussion and Analysis

In an effort to provide insight and perspective to the City of La Habra’s (“City”) annual financial statements, staff has prepared this management discussion of the financial activities of the City for the fiscal year ended June 30, 2013. The intent of this discussion is to assist the reader to better understand the fiscal condition of the City. Readers are encouraged to consider the information presented here in conjunction with the summary information found in the transmittal letter and the detailed information found in the body of the financial statements.

Overview of the Financial Statements

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

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the City government, reporting the City’s operations in *more detail* than the Government-wide Statements.



- The *Governmental Funds* Statements detail how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
- *Propriety Fund* Statements offer *short-* and *long-term* financial information about the activities the City operates *like businesses*, such as the water and sewer services.
- *Fiduciary Fund* Statements provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The City has three types of funds:

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

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

Financial Analysis of the City as a Whole

Net Position

The City’s *combined* net position for the fiscal year ended June 30, 2013, as shown below, was \$155.4 million. The capital asset figure for governmental activities includes all of the City’s infrastructure assets, such as streets, sidewalks, park land, buildings, etc. The City’s combined total net position increased by \$5.7 million during the current fiscal year primarily in the category of “Capital Assets”. Growth in the category is attributed to the completion of street repaving projects, citywide capital improvements and water projects which increased the value of these assets for reporting purposes.

**TABLE 1
STATEMENT OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	FY 12/13	FY 11/12	FY 12/13	FY 11/12	FY 12/13	FY 11/12
<u>ASSETS</u>						
Current and Other Assets	\$50,728,290	\$48,974,240	\$35,966,003	\$41,863,345	\$86,694,293	\$90,837,585
Capital Assets	81,443,804	79,995,065	56,500,825	49,186,907	137,944,629	129,181,972
TOTAL ASSETS	132,172,094	128,969,305	92,466,828	91,050,252	224,638,922	220,019,557
<u>LIABILITIES</u>						
Current Liabilities	6,019,857	8,405,194	10,679,537	11,371,645	16,699,394	19,776,839
Non-Current Liabilities	12,064,214	9,417,709	40,433,731	41,129,290	52,497,945	50,546,999
TOTAL LIABILITIES	18,084,071	17,822,903	51,113,268	52,500,935	69,197,339	70,323,838
<u>NET POSITION</u>						
Net Investment in Capital Assets	76,564,962	74,666,668	20,308,645	16,373,632	96,873,607	91,040,300
Restricted	9,844,805	10,898,270	1,363,180	1,432,462	11,207,985	12,330,732
Unrestricted	27,678,256	25,581,464	19,681,735	20,743,223	47,359,991	46,324,687
TOTAL NET POSITION	\$114,088,023	\$111,146,402	\$41,353,560	\$38,549,317	\$155,441,583	\$149,695,719

As noted earlier, comparing net position over time may serve as a useful indicator of the City's financial position. At fiscal year-end, the City's net position exceeded liabilities by \$155.4 million; however, 62 percent of this difference, or \$96.9 million, represents capital assets such as land, buildings, machinery, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets cannot be easily liquidated and are ***not*** available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other revenue sources since the capital assets themselves are not usually able to pay for the associated debt.

In addition, 7.2 percent, or \$11.2 million, of the City's net position represents resources that are subject to external restrictions regarding how they may be used. These include Public Safety grant funds, Community Development Block Grant Home Program funds, and pollution remediation reserve funds in the Refuse Fund. Furthermore, the unrestricted net position of the City's business-type activities total \$19.7 million, and these resources cannot be used to help fund general governmental activities. The City can only use these resources to finance the continuing operations of its enterprise funds such as the Refuse fund, Mobile Home Lease fund and the Children's Museum, or its agencies and authorities, such as the Utility Authority and Housing Authority. That leaves a \$27.7 million balance of unrestricted net position that can be used to meet the governmental activities ongoing obligations to citizens and creditors.

**TABLE 2
CHANGE IN NET POSITIONS**

	Government Activities		Business-Type Activities		Total	
	FY 12/13	FY 11/12	FY 12/13	FY 11/12	FY 12/13	FY 11/12
Revenues						
Program Revenues						
Charges for Services	\$5,586,058	\$4,790,858	\$22,422,372	\$20,414,276	\$28,008,430	\$25,205,134
Operating Grants and Contributions	8,864,116	9,278,565	-	-	8,864,116	9,278,565
Capital Grants and Contributions	3,163,745	3,578,616	-	-	3,163,745	3,578,616
General Revenues						
Property Taxes	13,333,682	14,175,467	-	-	13,333,682	14,175,467
Sales and Use Taxes	9,033,667	8,490,350	-	-	9,033,667	8,490,350
Transaction and Use Taxes	4,430,751	4,215,209	-	-	4,430,751	4,215,209
Franchise Fees	1,580,176	1,561,518	-	-	1,580,176	1,561,518
Grants and Contributions not Restricted to Specific Programs	325,718	316,262	-	-	325,718	316,262
Income from Property and Investments	2,790,519	3,175,312	30,416	273,456	2,820,935	3,448,768
Other General Revenues	1,253,294	1,123,908	366,303	366,303	1,619,597	1,490,211
Extraordinary Gain	-	8,194,111	-	-	-	8,194,111
Total Revenues	50,361,726	58,900,176	22,819,091	21,054,035	73,180,817	79,954,211
Expenses						
General Government	3,217,519	3,686,663	-	-	3,217,519	3,686,663
Public Safety	23,850,284	22,890,241	-	-	23,850,284	22,890,241
Public Works	7,172,065	7,129,157	-	-	7,172,065	7,129,157
Employment & Training	369,315	409,814	-	-	369,315	409,814
Community Services	8,561,460	8,047,441	-	-	8,561,460	8,047,441
Community Development	4,034,985	4,632,329	-	-	4,034,985	4,632,329
Interest on Long-Term Debt	266,069	932,269	-	-	266,069	932,269
Water	-	-	10,699,804	10,111,046	10,699,804	10,111,046
Sewer	-	-	2,012,774	1,664,713	2,012,774	1,664,713
Refuse	-	-	3,049,222	3,035,323	3,049,222	3,035,323
Housing Authority	-	-	1,685,659	1,539,497	1,685,659	1,539,497
Children's Museum	-	-	423,743	581,562	423,743	581,562
Mobile Home Lease	-	-	2,092,054	2,068,914	2,092,054	2,068,914
Total Expenses	47,471,697	47,718,914	19,963,256	19,001,055	67,434,953	66,719,969
Excess (Deficiency) before Transfers	2,890,029	11,181,262	2,855,835	2,052,980	5,745,864	13,234,242
Transfers	51,592	557,409	(51,592)	(557,409)	-	-
Increase (Decrease) in Net Position	2,941,621	11,738,671	2,804,243	1,495,571	5,745,864	13,234,242
Net Position - Beginning of Year	111,146,402	99,407,731	38,549,317	37,053,746	149,695,719	136,461,477
Net Position - End of year	\$114,088,023	\$111,146,402	\$41,353,560	\$38,549,317	\$155,441,583	\$149,695,719

Changes in Net Position

The condensed summary of activities (Table 2) shows that the City's total net position increased by \$5.7 million during the year with General Government Activities accounting for \$2.9 million of that increase.

Approximately 53 percent of the City's governmental funds revenue is generated through taxes collected (property, sales and use, and transaction and use), and over 98 percent of the City's business-type revenue is generated through charges for services.

Governmental Activities

The increase in net position for *governmental* activities was \$2.9 million, caused as a result of total revenues for *governmental* activities of \$50.3 million being offset by \$47.4 million in total costs for *governmental* activities, with \$51,592 transferred in from the business-type activities.

The primary reason for growth in net position is due a gradually improving economy which increased both program and general revenues compared to the prior fiscal year. Non-tax program revenues are generated through several sources to cover the cost of the City's programs. Program Revenues for Charges for Services increased by \$795,200 and General Revenues for Sales and Transaction tax and others fees increased by \$906,903.

The "Capital Grants and Contributions" program revenues reflect a decrease of \$414,871 compared to FY 11/12 due mainly to the completion of intersection and arterial roadway improvement projects, resulting in less capital grant reimbursements in FY 12/13. Property Tax revenues reflect a decrease of \$841,785 due, in part, to certain one-time payments made by the Redevelopment Successor Agency to the City in FY 11/12 as a result of the dissolution of redevelopment agencies in California.

The extraordinary gain in FY 11/12 of \$8.1 million was due to the transfer of the assets and liabilities of the City's former Redevelopment Agency to the Redevelopment Successor Agency as of February 1, 2012.

Business-Type Activities

As of June 30, 2013, the business-type activities increased the City's net position by 7.3 percent, or \$2.8 million, with revenues totaling \$22.8 million and expenses totaling \$19.9 million. At fiscal year-end, net position for the water fund grew by \$2.8 million due to revenues realized at a level greater than expenses, with the net revenues set aside for capital projects, operating reserves and emergency reserves. The Sewer fund net position decreased by \$546,335 as reserves were intentionally used to fund comprehensive video inspections of the sewer system per the Sewer Master Plan. The refuse fund net position decreased by \$32,857. The Mobile Home Lease fund net position increased by \$589,952 due to charges of services which were higher than operation expenses. The Housing Authority's net position decreased by \$79,539 and there was an increase in net position in the Children's Museum of \$60,744.

Financial Analysis of the City's Funds

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

Governmental Funds

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

Pursuant to standards established as a result of Governmental Accounting Standards Board (GASB) Pronouncement 54, the City no longer reports fund balances as “reserved” or “unreserved”. Governmental funds are now reported as “restricted” to be spent for specific purposes as defined by law, or “non-spendable” as they reflect inventories or funds that are not yet available to be spent (i.e. accounts receivables). For those funds that are neither restricted nor non-spendable, they are then reported as either “assigned” to be used a specific purpose, or “unassigned” and available for appropriation.

As of June 30, 2013, the City’s governmental funds reported combined ending fund balances of \$28.8 million, an increase of \$1.2 million compared to the prior fiscal year. The following fund balances are considered to be either restricted or non-spendable for the City:

- \$8.6 million for long-term advances
- \$927,240 for low-moderate income housing
- \$52,175 for inventories
- \$36,170 for prepaid items
- \$8.8 million for special revenue and capital improvement funds.

The General Fund is the chief operating fund of the City and, as of June 30, 2013, had a total fund balance of \$14.5 million, a decrease of \$50,467 over the prior year. The General Fund had no assigned fund balance and its unassigned balance was \$5.7 million which represents approximately 16.4 percent of the FY 12/13 amended General Fund expenditure budget.

Capital Funds

The City utilizes several general and special revenue funds to account for capital project funding. The major capital funding sources; however, come from the City’s general Capital Projects fund, Gas Tax Fund, and Measure “M” Fund.

For fiscal year ended June 30, 2013, the City’s general Capital Projects Fund balance increased by \$2,388,607, due to a transfer in of \$3.2 million for current and potential capital projects. The Gas Tax Fund balance decreased by \$52,286, and the Measure “M” Fund balance decreased by \$297,184 as annual apportionments were received for projects that were planned and initiated.

The City maintains an active capital improvement program with numerous projects underway or in planning each fiscal year. Fluctuations in the reported fund balances for capital funds are typically due to timing between the approval and appropriation of funds for various capital projects and the actual application and receipt of those funds to design and build the projects.

General Fund Budgetary Highlights

The City’s Finance Department monitors revenues during the year and updates estimated revenue figures when new information is available. At fiscal year-end, most major revenue sources had met or outperformed budget estimates. While some of these revenues were one-time in nature, such as loan repayments or grant reimbursements, the City’s major tax revenues also performed better than expected. Property taxes ended the year 7.4 percent above budget estimates, partly due to one-time payments from the Redevelopment Successor Agency, but also due to a gradually recovering housing market. Additionally, reflective of a slowly improving economy, sales tax outperformed budget estimates by 1.0 percent and the City’s Measure “T” transaction and use tax revenue outperformed budget estimates by almost 4.0 percent.

When combined with expenditures, which were held below budget, the City realized a positive net cash flow at fiscal year-end of \$4.6 million. This year-end carry over was applied, at Council direction, to capital projects, internal service fund reserves, liability reserves, general reserves, and furlough reductions.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the City had recorded an investment of over \$218.6 million (before accumulated depreciation) in a broad range of capital assets categories, including park facilities, land, buildings, roads, bridges, water and sewer lines, police and fire vehicles, and other maintenance equipment.

	Governmental Activities		Business-Type Activities		Private-Purpose Trust		Total	
	FY 12/13	FY 11/12	FY 12/13	FY 11/12	FY 12/13	FY 11/12	FY 12/13	FY 11/12
Land	\$8,426,783	\$8,426,783	\$12,800,000	\$12,800,000	\$1,387,022	\$1,387,022	\$22,613,805	\$22,613,805
Land improvements	6,968,404	6,968,404	-	-	-	-	6,968,404	6,968,404
Buildings and improvements	17,155,014	15,967,890	5,141,477	5,141,477	3,051,338	3,051,338	25,347,829	24,160,705
Improvements other than buildings	1,133,296	1,133,296	253,490	253,490	-	-	1,386,786	1,386,786
Machinery and equipment	7,562,356	7,189,248	1,721,694	1,508,450	-	-	9,284,050	8,697,698
Autos and trucks	4,397,961	4,159,711	257,402	257,402	-	-	4,655,363	4,417,113
Infrastructure	81,677,293	77,919,323	61,235,649	53,653,496	3,971,268	3,971,268	146,884,210	135,544,087
Construction in progress	332,920	553,924	1,143,031	109,962	-	-	1,475,951	663,886
(Less accumulated depreciation)	(46,210,223)	(42,323,514)	(26,051,918)	(24,537,370)	(1,094,323)	(885,663)	(73,356,464)	(67,746,547)
TOTALS	\$81,443,804	\$79,995,065	\$56,500,825	\$49,186,907	\$7,315,305	\$7,523,965	\$145,259,934	\$136,705,937

Governmental Capital Assets, before accumulated depreciation, increased by \$5.3 million over the prior year. The increase was attributed, in part, to a Police building remodel which cost \$1.1 million, and \$3.3 million in citywide street and road rehabilitation projects, sidewalk/storm drain improvements, handicap access ramps and traffic signal improvements, and funding designated for a Habitat for Humanity housing project. Business-Type Capital Assets, before accumulated depreciation, increased by \$8.8 million over the prior year. The increase was attributed to \$7.5 million of infrastructure improvements in the water fund, including \$3.1 million related to the Portola Park Well Water Facility, \$1.2 million for the La Bonita Park Water Facility, and \$2.9 million water main replacement/improvement. Agency assets related to the non-housing activities were transferred to the Successor Agency Private Purpose Trust fund on February 1, 2012.

Long-Term Debt

At year-end, the City had \$57.4 million in bonds, certificates of deposit, loans, leases, and accrued assessments payable, a decrease of \$1.4 million from last year, as shown in the table below. The new Private-Purpose Trust activities are being reported to account for the custodial responsibilities assigned to the Successor Agency pursuant to the State of California's redevelopment agency dissolution law.

TABLE 4
OUTSTANDING LONG-TERM DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Private-Purpose Trust Activities		Total	
	FY 12/13	FY 11/12	FY 12/13	FY 11/12	FY 12/13	FY 11/12	FY 12/13	FY 11/12
Certificates of Participation	\$3,669,271	\$3,947,011	\$13,688,731	\$13,914,290	-	-	\$17,358,002	\$17,861,301
Tax Allocation Bonds	-	-	-	-	6,345,000	6,575,000	6,345,000	6,575,000
Special Tax Bonds	-	-	-	-	1,540,000	1,715,000	1,540,000	1,715,000
Notes Payable	391,547	440,321	-	-	-	-	391,547	440,321
Notes Payable (Howard's Appliance)	-	-	-	-	1,101,955	1,224,979	1,101,955	1,224,979
Loan Payable	518,682	601,581	-	-	-	-	518,682	601,581
Contract and Leases Payable	751,064	835,402	-	-	-	-	751,064	835,402
Compensated Absences	4,274,385	3,989,238	-	-	-	-	4,274,385	3,989,238
Revenue Bond, Series A & B	-	-	19,130,000	19,405,000	-	-	19,130,000	19,405,000
Revenue Bond, Series A	-	-	6,075,000	6,250,000	-	-	6,075,000	6,250,000
TOTALS	\$9,604,949	\$9,813,553	\$38,893,731	\$39,569,290	\$8,986,955	\$9,514,979	\$57,485,635	\$58,897,822

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

Economic Factors and Future Budgets and Rates

- The City's FY 12/13 net taxable property values totaled \$4,857,677,545, approximately 0.33 percent less than five years ago, however, is 1.36 percent higher than FY 11/12.
- FY 13/14 PERS rates for the miscellaneous plan increased from 11.862 percent of payroll to 12.571 percent of payroll, and rates for the public safety plan increased from 33.391 percent of payroll to 34.808 percent of payroll for the safety plan.
- FY 14/15 PERS rates for the miscellaneous plan will increase from 12.571 percent of payroll to 13.521 percent of payroll, and rates for public safety will increase from 34.808 percent of payroll to 36.998 percent of payroll.
- Projected FY 15/16 PERS rates for the miscellaneous plan will increase from 13.521 percent of payroll to 14.800 percent of payroll, and rates for public safety will increase from 36.998 percent of payroll to 39.100 percent of payroll. PERS agencies have been informed that these rates will continue to increase over the next several years based on CalPERS' decision to adjust actuarial assumptions for both plans.
- The Consumer Price Index (CPI) for the Los Angeles/Riverside/Orange County Metropolitan Statistical Area for all urban consumers increased by 1.4 percent from June 2012 to June 2013.

These, among other factors, were considered in preparing the City of La Habra's General Fund budget for FY 13/14, which resulted in budgeted expenditures growing by 4.4 percent to \$36.3 million compared to the FY 12/13 amended budget of \$34.8 million.

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

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

The most significant and challenging organizational change has been the State mandated dissolution of redevelopment agencies in California. In FY 11/12, the City of La Habra elected to act as the Successor Agency to the former La Habra Redevelopment Agency, with City staff assuming staffing responsibilities for the Successor agency and staff support to both the Successor Agency Board (comprised of all five City Councilmembers) and the Oversight Board. The Successor Agency has complied with the various and changing State reporting and auditing requirements and has provided the necessary documentation for an external due diligence audit review that has been completed. The Successor Agency's primary goal is to responsibly wind down the activities and obligations of the former La Habra Redevelopment Agency activities within the parameters of State law, while protecting the financial interests of bond holders and ensuring debt owed to developers or other government agencies, including the City of La Habra, are fully repaid.

Contacting the City's Department of Finance and Administrative Services

This financial report is designed to provide our elected officials, residents, business owners, taxpayers, ratepayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it is entrusted with. If you have any questions about this report or need additional information, please contact the Department of Finance and Administrative Services, 201 E. La Habra Boulevard, La Habra, CA 90631. The Finance Department can also be reached at (562) 383-4050, or visit us online at "www.lahabraca.gov".



GOVERNMENT-WIDE FINANCIAL STATEMENTS



CITY OF LA HABRA
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and investments	\$ 25,409,482	\$ 17,333,671	\$ 42,743,153
Cash and investments with fiscal agents	451,723	2,701,551	3,153,274
Accounts receivable, net	3,581,061	2,198,643	5,779,704
Interest receivable	82,645	41,082	123,727
Prepaid items	36,170	61,629	97,799
Due from other governments	7,592,956	76,823	7,669,779
Inventories	96,914	71,538	168,452
Total current assets	<u>37,250,951</u>	<u>22,484,937</u>	<u>59,735,888</u>
Noncurrent assets:			
Deferred charges	386,124	1,023,949	1,410,073
Land held for resale	111,000	115,000	226,000
Loans to Successor Agency	12,980,215	-	12,980,215
Investment in water rights stock	-	12,342,117	12,342,117
Capital assets:			
Not being depreciated	8,759,703	13,943,031	22,702,734
Being depreciated, net	72,684,101	42,557,794	115,241,895
Total noncurrent assets	<u>94,921,143</u>	<u>69,981,891</u>	<u>164,903,034</u>
Total assets	<u>132,172,094</u>	<u>92,466,828</u>	<u>224,638,922</u>
Liabilities:			
Current liabilities:			
Accounts payable	2,002,371	830,150	2,832,521
Accrued liabilities	1,895,084	204,776	2,099,860
Deposits payable	6,000	236,750	242,750
Due to Successor Agency	-	95	95
Interest payable	131,385	506,077	637,462
Unearned revenue	182,216	-	182,216
Line of credit	-	8,141,689	8,141,689
Long-term obligations, due within one year	1,800,432	760,000	2,560,432
Total current liabilities	<u>6,017,488</u>	<u>10,679,537</u>	<u>16,697,025</u>
Noncurrent liabilities:			
Postemployment benefit obligation	1,716,000	-	1,716,000
Claims payable	2,546,066	-	2,546,066
Long-term obligations, due in more than one year	7,804,517	38,133,731	45,938,248
Pollution remediation liability	-	2,300,000	2,300,000
Total noncurrent liabilities	<u>12,066,583</u>	<u>40,433,731</u>	<u>52,500,314</u>
Total liabilities	<u>18,084,071</u>	<u>51,113,268</u>	<u>69,197,339</u>
Net position:			
Net investment in capital assets	76,564,962	20,308,645	96,873,607
Restricted for:			
Low-moderate income housing	932,180	-	932,180
Public safety	1,484,435	-	1,484,435
Public works	5,098,273	-	5,098,273
Community development	2,212,999	-	2,212,999
Community services	81,936	-	81,936
Employment and training	34,982	-	34,982
Pollution remediation	-	1,363,180	1,363,180
Unrestricted	27,678,256	19,681,735	47,359,991
Total net position	<u>\$ 114,088,023</u>	<u>\$ 41,353,560</u>	<u>\$ 155,441,583</u>

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,461,904	\$ 100,360	\$ 150,581	\$ -
Public safety	23,605,899	3,071,009	1,427,742	-
Public works	7,172,065	-	-	3,159,565
Employment and training	369,315	-	-	-
Community services	8,796,440	1,078,848	6,530,825	-
Community development	4,034,985	1,335,841	989,948	4,180
Interest on long-term debt	266,069	-	-	-
Total governmental activities	<u>47,706,677</u>	<u>5,586,058</u>	<u>9,099,096</u>	<u>3,163,745</u>
Business-type activities:				
Water	10,699,804	13,045,637	-	-
Sewer	2,012,774	1,541,770	-	-
Refuse	3,049,222	3,127,694	-	-
Housing Authority	1,685,659	1,584,262	-	-
Children's Museum	423,743	439,684	-	-
Mobile Home Lease	2,092,054	2,683,325	-	-
Total business-type activities	<u>19,963,256</u>	<u>22,422,372</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 67,669,933</u>	<u>\$ 28,008,430</u>	<u>\$ 9,099,096</u>	<u>\$ 3,163,745</u>

General revenues:

Taxes:

Property tax

Sales and use taxes

Transaction and use taxes

Franchise tax

Grants and contributions not restricted to specific programs

Income from property and investments

Other general revenues

Transfers

Total general revenues, extraordinary gain, and transfers

Change in net positions

Net position, beginning of year

Net position, end of year

See Accompanying Notes to Financial Statements.

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

Governmental Activities	Business-type Activities	Total
\$ (3,210,963)	\$ -	\$ (3,210,963)
(19,107,148)	-	(19,107,148)
(4,012,500)	-	(4,012,500)
(369,315)	-	(369,315)
(1,186,767)	-	(1,186,767)
(1,705,016)	-	(1,705,016)
(266,069)	-	(266,069)
(29,857,778)	-	(29,857,778)
-	2,345,833	2,345,833
-	(471,004)	(471,004)
-	78,472	78,472
-	(101,397)	(101,397)
-	15,941	15,941
-	591,271	591,271
-	2,459,116	2,459,116
(29,857,778)	2,459,116	(27,398,662)
13,333,682	-	13,333,682
9,033,667	-	9,033,667
4,430,751	-	4,430,751
1,580,176	-	1,580,176
325,718	-	325,718
2,790,519	30,416	2,820,935
1,253,294	366,303	1,619,597
51,592	(51,592)	-
32,799,399	345,127	33,144,526
2,941,621	2,804,243	5,745,864
111,146,402	38,549,317	149,695,719
\$ 114,088,023	\$ 41,353,560	\$ 155,441,583



FUND FINANCIAL STATEMENTS





CITY OF LA HABRA
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds		
	General	Child Development Special Revenue Fund	Measure M Special Revenue Fund
Assets:			
Cash and investments	\$ 3,211,973	\$ -	\$ -
Accounts receivables	3,271,597	306,875	-
Interest receivables	38,348	-	-
Prepaid items	36,170	-	-
Due from other funds	5,649,836	-	-
Due from other governments	171,012	503,992	5,341,147
Loans to Successor Agency	11,772,093	-	-
Land held for resale	-	-	-
Inventories	52,175	-	-
Total assets	<u>\$ 24,203,204</u>	<u>\$ 810,867</u>	<u>\$ 5,341,147</u>
Liabilities:			
Accounts payable	\$ 818,276	\$ 218,383	\$ 200,718
Accrued liabilities	1,592,458	99,795	9,478
Deposits payable	-	-	-
Due to other funds	-	393,253	4,428,287
Advances from other funds	3,690,000	-	-
Deferred revenue	3,652,742	86,440	-
Total liabilities	<u>9,753,476</u>	<u>797,871</u>	<u>4,638,483</u>
Fund balances:			
Nonspendable:			
Prepaid items	36,170	-	-
Loans to Successor Agency	8,628,479	-	-
Inventories	52,175	-	-
Restricted:			
Low-moderate income housing	-	-	-
Public safety	-	-	-
Public works	-	-	702,664
Community development	-	-	-
Community services	-	12,996	-
Employment and training	-	-	-
Assigned:			
Public works	-	-	-
Unassigned	5,732,904	-	-
Total fund balances (deficits)	<u>14,449,728</u>	<u>12,996</u>	<u>702,664</u>
Total liabilities and fund balances	<u>\$ 24,203,204</u>	<u>\$ 810,867</u>	<u>\$ 5,341,147</u>

See Accompanying Notes to Financial Statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 12,978,460	\$ 16,190,433
77	3,578,549
24,128	62,476
-	36,170
-	5,649,836
1,563,826	7,579,977
616,908	12,389,001
111,000	111,000
-	52,175
\$ 15,294,399	\$ 45,649,617
\$ 533,921	\$ 1,771,298
143,210	1,844,941
6,000	6,000
828,296	5,649,836
-	3,690,000
71,840	3,811,022
1,583,267	16,773,097
-	36,170
-	8,628,479
-	52,175
927,240	927,240
1,482,110	1,482,110
4,395,609	5,098,273
2,212,999	2,212,999
-	12,996
34,982	34,982
4,658,192	4,658,192
-	5,732,904
13,711,132	28,876,520
\$ 15,294,399	\$ 45,649,617

CITY OF LA HABRA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Total fund balances, governmental funds \$ 28,876,520

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

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

Capital assets	\$ 119,690,736	
Accumulated depreciation	<u>(40,328,407)</u>	79,362,329

Internal service funds are used by management to charge the costs of certain activities, such as risk management and fleet management, to individual funds. The assets and liabilities of the internal service funds, other than certain assets and liabilities of the Civic Improvement Authority which are business-activity related, are included in governmental activities in the statement of net position. 8,659,405

Accrued interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds. (69,735)

Other long-term assets that are not available to pay current period expenditures are deferred in the funds. 3,628,806

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

Energy loan	\$ (518,682)	
Energy capital lease	(751,064)	
Notes payable	(391,547)	
Compensated absences	(2,992,009)	
Net OPEB obligation	<u>(1,716,000)</u>	<u>(6,369,302)</u>

Net position of governmental activities \$ 114,088,023

See Accompanying Notes to Financial Statements.



CITY OF LA HABRA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds		
	General	Child Development Special Revenue Fund	Measure M Special Revenue Fund
Revenues:			
Property taxes and special assessments	\$ 13,333,682	\$ -	\$ -
Sales and use tax	9,095,047	-	-
Transaction and use tax	4,496,894	-	-
Franchise tax	1,581,719	-	-
Intergovernmental	392,935	5,919,381	1,422,248
Licenses and permits	1,155,876	-	-
Charges for services	4,760,673	-	-
Fines, forfeitures, and penalties	721,905	-	-
Use of money and property	2,382,149	183	2,266
Total revenues	<u>37,920,880</u>	<u>5,919,564</u>	<u>1,424,514</u>
Expenditures:			
Current:			
General government	2,623,342	-	-
Public safety	22,089,191	-	-
Public works	3,057,645	-	782,061
Employment and training	-	-	-
Community services	2,572,205	5,844,971	-
Community development	2,785,591	-	-
Capital outlay	-	69,861	939,637
Debt service:			
Principal	167,237	-	-
Interest	60,755	-	-
Total expenditures	<u>33,355,966</u>	<u>5,914,832</u>	<u>1,721,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,564,914</u>	<u>4,732</u>	<u>(297,184)</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(4,615,381)	-	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	<u>(4,615,381)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(50,467)	4,732	(297,184)
Fund balances (deficits), beginning of year	<u>14,500,195</u>	<u>8,264</u>	<u>999,848</u>
Fund balances (deficits), end of year	<u>\$ 14,449,728</u>	<u>\$ 12,996</u>	<u>\$ 702,664</u>

See Accompanying Notes to Financial Statements.

Other Nonmajor Funds	Total Governmental Funds
\$ -	\$ 13,333,682
-	9,095,047
-	4,496,894
-	1,581,719
4,785,055	12,519,619
172,441	1,328,317
23,013	4,783,686
-	721,905
87,543	2,472,141
5,068,052	50,333,010
144,848	2,768,190
1,132,051	23,221,242
238,273	4,077,979
369,315	369,315
-	8,417,176
1,222,862	4,008,453
3,701,029	4,710,527
48,774	216,011
19,863	80,618
6,877,015	47,869,511
(1,808,963)	2,463,499
3,315,381	3,315,381
-	(4,615,381)
2,694	2,694
3,318,075	(1,297,306)
1,509,112	1,166,193
12,202,020	27,710,327
\$ 13,711,132	\$ 28,876,520

CITY OF LA HABRA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds: \$ 1,166,193

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

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

Capital outlay	\$ 4,710,527	
Capital outlay included in general government	226,511	
Depreciation expense	<u>(3,517,286)</u>	1,419,752

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

Debt service - principal	\$ 216,011	
Increase in compensated absences	(199,604)	
Increase in OPEB obligation	<u>(419,000)</u>	(402,593)

Some revenues in statement of activities that do not provide current financial resources are not reported as revenues in the funds. 43,081

Accrued interest payable applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. The statement of net position includes accrued interest. 5,029

Internal service funds are used by management to charge the costs of certain activities, such as risk management and fleet management, to individual funds. The net expense of the internal service funds is reported with governmental activities. 710,159

Change in net position of governmental activities \$ 2,941,621

See Accompanying Notes to Financial Statements.



CITY OF LA HABRA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Assets:			
Current assets:			
Cash and investments	\$ 3,745,903	\$ 3,917,514	\$ 2,837,274
Accounts receivable, net	1,313,675	258,183	-
Interest receivable	9,016	9,681	6,748
Prepaid items	15,649	-	15,450
Due from other governments	-	-	-
Inventory	71,538	-	-
Total current assets	5,155,781	4,185,378	2,859,472
Noncurrent assets:			
Cash and investments with fiscal agents	1,631,932	-	1,069,619
Advances to other funds	-	-	1,600,000
Loans to Successor Agency	-	-	-
Deferred charges	265,376	-	572,339
Investment in water rights stock	12,342,117	-	-
Land held for resale	-	-	115,000
Capital assets, net	35,238,031	4,856,247	12,958,022
Total noncurrent assets	49,477,456	4,856,247	16,314,980
Total assets	54,633,237	9,041,625	19,174,452
Liabilities:			
Current liabilities:			
Accounts payable	465,934	42,908	3,083
Accrued liabilities	68,805	16,636	5,144
Accrued interest	216,024	-	242,340
Deposits payable	223,750	-	12,000
Due to Successor Agency	-	-	95
Certificates of participation, current	-	-	295,000
Water revenue bonds, current	285,000	-	-
Line of credit, current	8,141,689	-	-
Compensated absences	-	-	-
Total current liabilities	9,401,202	59,544	557,662
Noncurrent liabilities:			
Advances from other funds	6,075,000	-	-
Claims payable	-	-	-
Certificates of participation	-	-	13,145,350
Water revenue bonds	19,093,381	-	-
Pollution remediation liability	-	-	-
Total noncurrent liabilities	25,168,381	-	13,145,350
Total liabilities	34,569,583	59,544	13,703,012
Net position:			
Net investment in capital assets	11,416,582	4,856,247	587,291
Restricted	-	-	-
Unrestricted	8,647,072	4,125,834	4,884,149
Total net position	\$ 20,063,654	\$ 8,982,081	\$ 5,471,440

Adjustment to reflect consolidation of internal service fund activities to related enterprise funds

Net position of business-type activities

See Accompanying Notes to Financial Statements.

**Business-Type Activities -
Enterprise Funds**

<u>Other Nonmajor Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 6,396,499	\$ 16,897,190	\$ 9,655,530
626,785	2,198,643	2,512
15,637	41,082	20,169
30,530	61,629	-
76,823	76,823	12,979
-	71,538	44,739
<u>7,146,274</u>	<u>19,346,905</u>	<u>9,735,929</u>
-	2,701,551	451,723
-	1,600,000	9,765,000
-	-	591,214
-	837,715	572,358
-	12,342,117	-
-	115,000	-
<u>3,448,525</u>	<u>56,500,825</u>	<u>2,081,475</u>
<u>3,448,525</u>	<u>74,097,208</u>	<u>13,461,770</u>
<u>10,594,799</u>	<u>93,444,113</u>	<u>23,197,699</u>
318,225	830,150	231,073
114,191	204,776	50,143
-	458,364	109,363
1,000	236,750	-
-	95	-
-	295,000	290,000
-	285,000	180,000
-	8,141,689	-
-	-	1,282,376
<u>433,416</u>	<u>10,451,824</u>	<u>2,142,955</u>
1,600,000	7,675,000	-
-	-	2,546,066
-	13,145,350	3,379,271
-	19,093,381	5,895,000
<u>2,300,000</u>	<u>2,300,000</u>	<u>-</u>
<u>3,900,000</u>	<u>42,213,731</u>	<u>11,820,337</u>
<u>4,333,416</u>	<u>52,665,555</u>	<u>13,963,292</u>
3,448,525	20,308,645	2,081,475
1,363,180	1,363,180	-
<u>1,449,678</u>	<u>19,106,733</u>	<u>7,152,932</u>
<u>\$ 6,261,383</u>	<u>40,778,558</u>	<u>\$ 9,234,407</u>
	575,002	
	<u>\$ 41,353,560</u>	

CITY OF LA HABRA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Operating revenues:			
Water sales	\$ 12,807,848	\$ -	\$ -
Charges for services	211,699	1,541,770	1,575,395
Intergovernmental	26,090	-	8,867
Total operating revenues	<u>13,045,637</u>	<u>1,541,770</u>	<u>1,584,262</u>
Operating expenses:			
Water and materials	3,012,641	-	-
Contractual services	772,275	35,577	156,690
Wages and fringe benefits	1,535,215	408,563	124,593
Benefits and claims	-	-	-
Equipment and maintenance	217,794	514,910	180,660
Materials and supplies	213,607	3,611	33
Utilities	335,461	-	66,290
Depreciation	964,759	242,163	209,294
Amortization	641	-	85,441
Administration	1,910,135	807,950	112,311
Total operating expenses	<u>8,962,528</u>	<u>2,012,774</u>	<u>935,312</u>
Operating income (loss)	<u>4,083,109</u>	<u>(471,004)</u>	<u>648,950</u>
Nonoperating revenues (expenses):			
Interest income	61,582	36,020	40,691
Other nonoperating revenues	366,303	-	-
Gain (loss) on sale of asset	-	-	-
Gain (loss) on sale of investments	(28,627)	(45,737)	(28,012)
Interest (expense)	(1,447,239)	-	(741,168)
Total nonoperating revenues (expenses)	<u>(1,047,981)</u>	<u>(9,717)</u>	<u>(728,489)</u>
Income (loss) before transfers	3,035,128	(480,721)	(79,539)
Transfers in	149,208	-	-
Transfers out	(363,967)	(65,614)	-
Change in net position	2,820,369	(546,335)	(79,539)
Net position, beginning of year	17,243,285	9,528,416	5,550,979
Net position, end of year	<u>\$ 20,063,654</u>	<u>\$ 8,982,081</u>	<u>\$ 5,471,440</u>

Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds.
Change in net position of business-type activities

See Accompanying Notes to Financial Statements.

**Business-Type Activities -
Enterprise Funds**

Other Nonmajor Funds	Totals	Internal Service Funds
\$ -	\$ 12,807,848	\$ -
6,089,764	9,418,628	4,500,733
160,939	195,896	-
<u>6,250,703</u>	<u>22,422,372</u>	<u>4,500,733</u>
-	3,012,641	-
3,142,566	4,107,108	339,793
415,290	2,483,661	1,776,827
-	-	586,829
111,718	1,025,082	517,002
20,726	237,977	611,954
301,573	703,324	187,804
98,333	1,514,549	391,490
-	86,082	51,297
1,474,813	4,305,209	715,921
<u>5,565,019</u>	<u>17,475,633</u>	<u>5,178,917</u>
<u>685,684</u>	<u>4,946,739</u>	<u>(678,184)</u>
57,752	196,045	290,437
-	366,303	131
-	-	2,750
(63,253)	(165,629)	(75,267)
<u>-</u>	<u>(2,188,407)</u>	<u>(480,516)</u>
<u>(5,501)</u>	<u>(1,791,688)</u>	<u>(262,465)</u>
680,183	3,155,051	(940,649)
42,500	191,708	1,769,717
<u>(104,844)</u>	<u>(534,425)</u>	<u>(127,000)</u>
617,839	2,812,334	702,068
5,643,544	-	8,532,339
<u>\$ 6,261,383</u>	<u>-</u>	<u>\$ 9,234,407</u>
	(8,091)	
	<u>\$ 2,804,243</u>	

CITY OF LA HABRA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Cash flows from operating activities:			
Receipts from customers and users	\$ 13,068,901	\$ 1,544,983	\$ 558,228
Receipts from interfund services provided	-	-	1,032,035
Payments to suppliers	(5,202,912)	(576,751)	(353,030)
Cash paid for interfund services provided	(1,840,171)	(859,640)	(165,737)
Payments to employees	(1,525,977)	(410,039)	(123,563)
Net cash provided by (used in) operating activities	<u>4,499,841</u>	<u>(301,447)</u>	<u>947,933</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(363,967)	(65,614)	-
Transfers from other funds	149,208	-	-
Receipts of advances to other funds	-	-	-
Payments of advances from other funds	(175,000)	-	-
Receipts of due from Suuccessor Agency	-	-	95
Net cash provided by (used in) noncapital financing activities	<u>(389,759)</u>	<u>(65,614)</u>	<u>95</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(7,629,676)	(55,534)	-
Proceeds from sale of capital assets	-	-	-
Proceeds of debts	-	-	-
Issuance costs paid on capital debt	-	-	-
Principal paid on capital debt	(275,000)	-	(290,000)
Interest paid on capital debt	(1,083,219)	-	(733,169)
Net cash (used in) capital and related financing activities	<u>(8,987,895)</u>	<u>(55,534)</u>	<u>(1,023,169)</u>
Cash flows from investing activities:			
(Purchase) of investments	(331,219)	(45,737)	(28,012)
Interest on investments	63,008	41,030	43,284
Net cash provided by (used in) investing activities	<u>(268,211)</u>	<u>(4,707)</u>	<u>15,272</u>
Net increase (decrease) in cash and cash equivalents	(5,146,024)	(427,302)	(59,869)
Cash and cash equivalents, beginning of year	10,523,859	4,344,816	3,966,762
Cash and cash equivalents, end of year	<u>\$ 5,377,835</u>	<u>\$ 3,917,514</u>	<u>\$ 3,906,893</u>

See Accompanying Notes to Financial Statements.

**Business-Type Activities -
Enterprise Funds**

Other Nonmajor Funds	Totals	Internal Service Funds
\$ 5,999,481	\$ 21,171,593	\$ 57,764
349,007	1,381,042	4,445,536
(4,485,773)	(10,618,466)	(3,159,037)
(592,277)	(3,457,825)	(69,738)
(246,966)	(2,306,545)	(1,640,117)
<hr/>	<hr/>	<hr/>
1,023,472	6,169,799	(125,373)
<hr/>	<hr/>	<hr/>
(104,844)	(534,425)	(127,000)
42,500	191,708	1,769,717
-	-	455,000
-	(175,000)	-
-	95	-
<hr/>	<hr/>	<hr/>
(62,344)	(517,622)	2,097,717
<hr/>	<hr/>	<hr/>
(1,143,257)	(8,828,467)	(420,477)
-	-	2,750
-	-	-
-	-	-
-	(565,000)	(455,000)
-	(1,816,388)	(483,790)
<hr/>	<hr/>	<hr/>
(1,143,257)	(11,209,855)	(1,356,517)
<hr/>	<hr/>	<hr/>
(63,253)	(468,221)	(75,320)
63,378	210,700	296,307
<hr/>	<hr/>	<hr/>
125	(257,521)	220,987
<hr/>	<hr/>	<hr/>
(182,004)	(5,815,199)	836,814
6,578,503	25,413,940	9,270,439
<hr/>	<hr/>	<hr/>
\$ 6,396,499	\$ 19,598,741	\$ 10,107,253
<hr/>	<hr/>	<hr/>

(Continued)

CITY OF LA HABRA
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 4,083,109	\$ (471,004)	\$ 648,950
Adjustments to Reconcile			
Operating Income (Loss) to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation	964,759	242,163	209,294
Amortization	641	-	85,441
Change in Assets and Liabilities:			
(Increase) decrease in receivables	23,264	3,213	-
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(31,223)	-	-
(Increase) decrease in prepaid items	236,808	-	(3,701)
Increase (decrease) in accrued liabilities and accounts payable	(808,517)	(75,819)	1,949
Increase (decrease) in deposits payable	31,000	-	6,000
Increase (decrease) in unearned revenue	-	-	-
Total adjustments	<u>416,732</u>	<u>169,557</u>	<u>298,983</u>
Net cash provided by (used in) operating activities	<u>\$ 4,499,841</u>	<u>\$ (301,447)</u>	<u>\$ 947,933</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds		
Other Nonmajor Funds	Totals	Internal Service Funds
\$ 685,684	\$ 4,946,739	\$ (678,184)
98,333	1,514,549	391,490
-	86,082	51,297
74,455	100,932	4,705
35,198	35,198	(2,205)
-	(31,223)	(19,526)
(8,195)	224,912	257,952
149,868	(732,519)	(130,902)
(11,871)	25,129	-
-	-	-
337,788	1,223,060	552,811
\$ 1,023,472	\$ 6,169,799	\$ (125,373)

CITY OF LA HABRA
Statement of Fiduciary Net Position
June 30, 2013

	Private-Purpose Trust Fund	Agency Fund
Assets:		
Current assets:		
Cash and investments	\$ 1,781,037	\$ 10,701,756
Cash and investments with fiscal agent	1,020,986	-
Accounts receivable	61,530	-
Interest receivable	-	25,494
Due from City of La Habra	95	-
Total current assets	2,863,648	10,727,250
Noncurrent assets:		
Land held for resale	3,000,000	-
Capital assets, net	7,315,305	-
Total noncurrent assets	10,315,305	-
Total assets	\$ 13,178,953	\$ 10,727,250
Liabilities:		
Current liabilities:		
Accounts payable	\$ 460,802	\$ 65,705
Accrued liabilities	4,680	13,210
Deposits	-	10,648,335
Current portion of long-term liabilities	560,611	-
Total current liabilities	1,026,093	10,727,250
Noncurrent liabilities:		
Loans due to City of La Habra	12,980,215	-
Loans and notes payable	971,344	-
Bonds payable, net	7,455,000	-
Total noncurrent liabilities	21,406,559	-
Total liabilities	22,432,652	\$ 10,727,250
Net Position (Deficit):		
Held in trust for redevelopment dissolution	\$ (9,253,699)	

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	<u>Private-Purpose Trust Fund</u>
Additions:	
Taxes	\$ 2,446,245
Other revenues	382,684
Total additions	<u>2,828,929</u>
Deductions:	
Program expenses	566,858
Administrative expenses	541,818
Interest and fiscal agency expenses	1,230,301
Total deductions	<u>2,338,977</u>
Change in net position	489,952
Net Position (deficit) held in trust:	
Beginning of year	<u>(9,743,651)</u>
End of year	<u><u>\$ (9,253,699)</u></u>

See Accompanying Notes to Financial Statements.



NOTES TO FINANCIAL STATEMENTS



CITY OF LA HABRA
Notes to Financial Statements
June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

The La Habra Civic Improvement Authority (Authority) was formed by a joint exercise of powers agreement between the City and the former Redevelopment Agency of the City of La Habra (former Redevelopment Agency) (now the Successor Agency to the Redevelopment Agency of the City of La Habra) in September 1982. The purpose of the agreement is to provide a single public agency to acquire property for both the City and the former Agency. Separate financial statements are not prepared for this blended component unit.

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

The Utility Authority of the City of La Habra (Utility Authority) was formed on January 16, 2007, and began legal operation on July 1, 2007. The Utility Authority was formed by the City to maintain and operate the City's Water and Sewer systems. The Utility Authority is responsible for establishing utility rates, performing routine system maintenance, establishing and executing necessary capital improvement plans, purchasing and selling water, and performing other necessary utility system operations. Separately issued financial statements for the Utility Authority may be obtained through written request to the City Department of Finance.

Fiduciary Component Unit

The Successor Agency to the Redevelopment Agency of the City of La Habra (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on January 12, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary fund statements as a private-purpose trust fund. Separate financial statements are not prepared for this component unit. See footnote (3)(d) for further detail regarding the dissolution.

(b) *Government-Wide and Fund Financial Statements*

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, have no measurement focus because they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and are reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

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

The City has categorized the Sewer Fund as a major fund for public benefit reasons. The City believes that this judgmentally determined major fund is particularly important to the financial statement users.

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

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments; street and highway maintenance, public safety, parks and recreation programs are accounted for in this fund.

Child Development Special Revenue Fund

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

Measure M Special Revenue Fund

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

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

The City reports the following major enterprise funds:

Water Fund

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

Sewer Fund

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

Housing Authority Fund

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

Additionally, the City reports the following:

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

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

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

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

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

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

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

The Other Post Employment Benefit Set-aside Fund accounts for set-aside money to fund future other post employment benefit other than pension.

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

a. Agency Fund

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

b. Private-Purpose Trust Fund

The Private-Purpose Trust Fund accounts for the custodial responsibilities that are assigned to the Successor Agency pursuant to the Dissolution Act.

(d) *Assets, Liabilities, and Net Position*

1. Deposits and investments

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City’s books at fair value (quoted market price or best available estimate thereof) in accordance with GASB Statement No. 31, except for nonparticipating investments (i.e. investment contracts) which are recorded at cost. Interest income on investments is recorded in the General Fund, except for that allocated to enterprise funds and where specifically required by law to be recorded in other funds.

The City’s cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City owns approximately 30% and 49%, respectively, of the outstanding common stock and preferred stock of a mutual water company (investment in water rights stock) at June 30, 2013, and has valued this investment at cost as this stock does not have a readily determinable value and does not meet the requirements of accounting under the equity method (see Note 2e). Cost is the amount of the City’s basis in an investment less any distributions. Investments at cost are analyzed for impairment to determine if events or changes in circumstances indicate the carrying amount of the investment may not be

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

recoverable. An investment is impaired and a loss is recognized in the period when a decline in its fair value below the amortized cost basis is other than temporary. Investment gains and losses are recognized when the investment is sold. Investment earnings, including interest and dividends, are recognized in the period earned.

2. *Statement of Cash Flows*

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

3. *Receivables*

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

Accounts receivable and due from other governments – These balances are comprised primarily of revenues that have already been earned but not yet received by the City as of June 30, 2013, from individual customers, private entities and government agencies. In addition, this includes accrued revenues due from other governmental agencies for expenditure driven types of grants whereby the City accrues grant revenues for expenditures incurred but not yet reimbursed by the grantors. Management determines the allowance for doubtful accounts by evaluating individual customer accounts for all balances over 60 days old. The allowance for doubtful accounts is adjusted at fiscal year end based on the amount equal to the annual uncollectible accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivables, delinquent notices for 30 days are sent to customers with outstanding balances. After 60 days, accounts still outstanding are forwarded to a collection company.

4. *Interfund Transactions*

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

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

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

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

5. *Taxes Receivable*

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

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

Inventory reported in governmental funds is valued at cost using the first in, first out (FIFO) method. The cost is recorded as an expense as inventory items are consumed. Inventory in the proprietary funds consists of expendable supplies and water held for consumption.

Land held for resale is valued at the lower of cost or estimated net realizable value as determined upon the execution of a disposition and development agreement and is recorded in the City’s Low and Moderate Income Housing Assets capital projects fund, the Housing Authority enterprise fund, and the Successor Agency fiduciary fund.

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.

7. *Capital Assets*

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

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

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

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

8. *Compensated Absences*

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

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

9. *Deferred Revenue/Unearned Revenue*

Deferred revenue in the governmental funds represent amounts due, which are measurable, but not available. In the statement of net position, unearned revenues represent the property tax receivables which are levied for a future period. Unearned revenues also represent grants and similar items received; however, the City has not met all eligibility requirements imposed by the provider.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Budgets and Encumbrances

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

The appropriated budget is prepared by fund, function, and department. The government's department head, with approval of the Director of Finance & Administrative Services and City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments within a fund must be approved by the City Manager. Transfers between funds must be approved by the City Council; therefore, the legal level of budgetary control is at the fund level. The council made several supplemental budgetary appropriations throughout the year.

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

11. Net Position

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

12. Use of Estimates

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

13. Implementation of Pronouncements

The City has adopted and implemented the following GASB Statements during the year ended June 30, 2013:

- GASB Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2013.
- GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2013.
- GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this Statement did not impact the financial statements of the City during the year ended June 30, 2013.
- GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The implementation of this Statement impacted certain terminology used but did not have an impact on the net position at June 30, 2013, or the change in net position during the year ended June 30, 2013.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

14. Pronouncements Issued but Not Yet Adopted

GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City, except that GASB Statements No. 65, No. 68 and No. 71 will have an effect on the City's net position. However, management has not calculated that effect.

- GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities.*
- GASB Statement No. 66 – *Technical Corrections-2012-an Amendment of GASB Statements No. 10 and No. 62.*
- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*
- GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations.*
- GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees.*
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

(2) DETAILED NOTES ON ALL FUNDS

(a) Cash and Investments

Cash and investments at June 30, 2013, consist of the following:

Statement of net position:

Cash and investments	\$ 42,743,153
Cash and investments with fiscal agents	3,153,274

Fiduciary funds:

Cash and investments	12,482,793
Cash and investments with fiscal agents	1,020,986

Total	\$ 59,400,206
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Cash and investments at June 30, 2013 are classified as follows:

Petty cash	\$ 1,684
Deposits with financial institutions	13,802,294
Investments:	
City pool	41,421,968
Held by fiscal agent	4,174,260
Total cash and investments	\$ 59,400,206

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

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

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

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

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

* Represents where the City's investment policy is more restrictive than the California Government Code:

- U.S. Agency Obligations – The California Government Code allows a city to invest 100% of its portfolio in a single issuer of this investment type.
- Bankers' Acceptance – The California Government Code allows a city to invest up to 40% of its portfolio and up to 30% in a single issuer.
- Commercial Paper – The California Government Code allows a city to invest up to 10% of its portfolio in in a single issuer.
- Negotiable CDs – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.
- Repurchase Agreements – The California Government Code allows a city to invest in repurchase agreements with a maximum maturity of 92 days.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

- Medium Term Notes – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.
- Money Market Funds – The California Government Code allows a city to invest up to 30% of its portfolio and up to 30% in a single issuer.

Investments Authorized by Debt Agreements

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

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

Interest Rate Risk

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

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

Investment Types	Amount	Remaining Maturity		
		Less Than 1 Year	1 to 3 Years	3 to 5 Years
U.S. Treasury obligations	\$ 5,090,456	\$ -	\$ 795,320	\$ 4,295,136
U.S. agency obligations	19,610,708	1,593,662	13,237,475	4,779,571
Corporate medium-term notes	4,708,516	-	2,471,027	2,237,489
Money market funds	355,270	355,270	-	-
LAIF	11,657,018	11,657,018	-	-
Total	\$ 41,421,968	\$ 13,605,950	\$ 16,503,822	\$ 11,312,196

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type, except for fiscal agent investments which are reported in a separate section below.

Investment Types	Amount	Minimum Legal Rating	Standard & Poor's Rating as of Year End (where applicable)				
			Exempt from Disclosure	AAA	AA	A	Not Rated
U.S. Treasury obligations	\$ 5,090,456	N/A	\$ 5,090,456	\$ -	\$ -	\$ -	\$ -
U.S. agency obligations	19,610,708	N/A	-	-	19,610,708	-	-
Corporate medium-term notes	4,708,516	A	-	650,345	2,553,169	1,505,002	-
Money market funds	355,270	AAA	-	355,270	-	-	-
LAIF	11,657,018	Not Rated	-	-	-	-	11,657,018
	\$ 41,421,968		\$ 5,090,456	\$ 1,005,615	\$ 22,163,877	\$ 1,505,002	\$ 11,657,018

Concentration of Credit Risk

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

Issuer Name	Investment Type	Reported Amount
U.S. Treasury obligations ⁽¹⁾	U.S. Treasury obligations ⁽¹⁾	\$ 5,090,456
U.S. agency obligations	Federal Farm Credit Bank	3,029,260
U.S. agency obligations	Federal Home Loan Mortgage Corp.	5,775,915
U.S. agency obligations	Federal National Mortgage Association	6,419,047
U.S. agency obligations	Federal Home Loan Bank	4,386,486

⁽¹⁾ Exempt from disclosure

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's deposits were not subject to custodial credit risk at June 30, 2013.

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

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

Cash and Investments Held by Fiscal Agents
(1998 Series A, B, and C COPs, 2000 Tax Allocation Bonds, 2003 Revenue Bonds, 2010 Series A COPs, and 2010 Revenue Bonds)

Investment Type	Reported Amount	Maturity	Rating
Money market	\$ 3,140,800	Less than 1 year	AAA
Investment contracts:			
Westdeutsche Landesbank	395,460	9/1/2022	Not Rated
Certificates of deposit	98,000	5/28/2015	Not Rated
Certificates of deposit	98,000	6/4/2015	Not Rated
Certificates of deposit	98,000	6/25/2015	Not Rated
Certificates of deposit	148,000	7/30/2015	Not Rated
Certificates of deposit	98,000	7/7/2015	Not Rated
Certificates of deposit	98,000	7/9/2015	Not Rated
	<u>\$ 4,174,260</u>		

Investment Contracts with Fiscal Agents

The City has an investment contract held by trustees pledged to the payment or security of certain bonds. The investment contract represents monies invested with Westdeutsche Landesbank Girozentrale (WLG) out of New York City, New York, carried at cost. Pursuant to the Custody Agreement, WLG has posted collateral securities with the Custodian acting on behalf of the City. In the unlikely event of a payment default by WLG, the Custodian would liquidate the collateral

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

securities, resulting in the City receiving 100% of its invested funds. The City receives semiannual interest payments each March 1 and September 1 at annual rates of 5.69% and 5.90%. The investment agreements expire September 1, 2022, at which time all unpaid principal will be remitted to the City. This investment is not insured.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2013, was \$21.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2013, had a balance of \$58.8 billion, of that amount, 2.0% was invested in medium-term and short-term structured notes and asset-backed securities. At June 30, 2013, these investments matured in an average of 278 days.

(b) *Receivables*

Receivables of the City as of June 30, 2013, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable:			
Property taxes	\$ 164,790	\$ -	\$ 164,790
Sales taxes	1,995,584	-	1,995,584
Child care grants	306,875	-	306,875
Water sales	-	2,177,587	2,177,587
Sewer sales	-	258,183	258,183
Refuse sales	-	587,470	587,470
Franchise fees	411,409	-	411,409
Leases	-	35,484	35,484
Others	702,403	3,831	706,234
	<u>3,581,061</u>	<u>3,062,555</u>	<u>6,643,616</u>
Total accounts receivable			
Less allowance for uncollectible accounts	<u>-</u>	<u>(863,912)</u>	<u>(863,912)</u>
Total receivables	<u>\$ 3,581,061</u>	<u>\$ 2,198,643</u>	<u>\$ 5,779,704</u>

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

(c) Interfund Receivables, Payables and Transfers

Due To and Due From

The composition of interfund balances as of June 30, 2013 is as follows:

Due To	Due From				Totals
	Child Development Special Revenue Fund	Measure M Special Revenue Fund	Nonmajor Governmental Funds	Housing Authority Enterprise Fund	
General Fund	\$ 393,253	\$ 4,428,287	\$ 828,296	\$ -	\$ 5,649,836
Totals	<u>\$ 393,253</u>	<u>\$ 4,428,287</u>	<u>\$ 828,296</u>	<u>\$ -</u>	<u>\$ 5,649,836</u>

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

Advances To and Advances From

The composition of interfund advances as of June 30, 2013 is as follows:

Advances From	Advances To			Totals
	General Fund	Water Enterprise Fund	Nonmajor Enterprise Funds	
Housing Authority Enterprise Fund	\$ -	\$ -	\$ 1,600,000	\$ 1,600,000
Internal Service Funds	3,690,000	6,075,000	-	9,765,000
Totals	<u>\$ 3,690,000</u>	<u>\$ 6,075,000</u>	<u>\$ 1,600,000</u>	<u>\$ 11,365,000</u>

- On July 1, 2003, the Housing Authority entered into a promissory note with La Habra Mobile Home Lease Enterprise Fund in the amount of \$2,000,000 for necessary capital improvements at the two City owned Mobile Home parks. The repayment should be made from net rent and other revenues received by the Mobile Home Lease Enterprise Fund from its operation of the Mobile Home parks, as they become available. The current interest rate is 0%. At June 30, 2013, the outstanding balance of the advance was 1,600,000.
- On September 15, 1998, the Authority issued the Certificates of Participation Series B and C in an aggregate amount of \$6,705,000. The certificates are payable from lease payments made by the General Fund to the Authority. The outstanding balance at June 30, 2013 is \$3,690,000.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

- In October 2003, the Authority issued the Revenue Bonds Series A in an aggregate amount of \$7,500,000 with variable and fixed interest rates ranging from 1.500% to 5.125%. The Revenue Bonds mature in varying amounts through October 2033. The bonds are payable from installment payments made by the La Habra Water Enterprise Fund based on the debt service requirements for the bonds. The outstanding balance at June 30, 2013 is \$6,075,000.

Interfund loans consist of loans as follows:

Loans to Successor Agency Private-Purpose Trust Fund	Loans due to City of La Habra
	Successor Agency Private-Purpose Trust Fund
General Fund	\$ 11,772,093
Nonmajor	
Governmental Funds	616,908
Internal Service Funds	591,214
Totals	\$ 12,980,215

- As of June 30, 1992, the former Redevelopment Agency had borrowed an aggregate amount of \$5.7 million from the General Fund. From that date through September 1998, the balance of the advances, excluding unpaid interest of \$1,319,247, from the City totaled \$6,705,000, representing \$5,640,000 from the Series B Tax-Exempt Certificates and \$1,065,000 from the Series C Tax Certificates. On September 15, 1998, a loan agreement was entered into between the City and the former Redevelopment Agency whereby the former Redevelopment Agency would repay these advances in annual principal installments of between \$160,000 and \$455,000, plus interest of between 4.0% and 6.5%, maturing in 2022. In October 2000, the agreement was amended to account for the former Redevelopment Agency's available cash flow, whereby the amount of the annual payments will be contingent upon the amount of the former Redevelopment Agency's available cash flow (i.e. the former Redevelopment Agency's ability to make scheduled payments). Outstanding amounts as of January 31, 2012, the date the former Redevelopment Agency was dissolved in accordance with California Assembly Bill X1 26 (AB X1 26), were transferred to the Successor Agency. At June 30, 2013, the outstanding balance of the advance was \$8,387,954. The total accrued interest included in the balance is \$1,759,474.
- As authorized by State Assembly Bill (AB) 26 4x, the former Redevelopment Agency suspended its required 20% set-aside deposit of total annual tax increment into the Low and Moderate Income Housing Set-Aside (LMIH) fund for fiscal year 2010. These funds were used to pay the former Redevelopment Agency's required supplemental Education Revenue Augmentation Fund (SERAF) obligation to the County. On January 31, 2012, the dissolution date of the former Redevelopment Agency, outstanding payable amounts were transferred to the Successor Agency and the related receivable was transferred to the Housing Successor's Low-Moderate Income Housing Assets capital projects fund. Principal repayment is due on or before June 30, 2015 and interest is calculated based on the State's Pooled Money Investment Account's (PMIA) Average Monthly Effective Yields. At June 30, 2013, the outstanding balance of the advance was \$616,908, which included accrued interest of \$4,940.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

- In August 2007, the General Fund advanced the former Redevelopment Agency \$2,000,000, at an interest rate of 9%, towards the purchase of a building and land. Outstanding amounts as of January 31, 2012, the date the former Redevelopment Agency was dissolved in accordance with AB X1 26, were transferred to the Successor Agency. At June 30, 2013, the outstanding balance of the advance was \$3,384,139. The total accrued interest included in the balance is \$1,384,139, which includes accrued interest of \$290,229 for fiscal year 2012-2013.
- As of June 30, 2013, the Successor Agency had an outstanding payable balance of \$591,214 owed to the Civic Improvement Authority. There are no repayment terms on these advances, and the current interest rate is 0%.

Pursuant to AB 1484, each of these loans are considered “interagency loans” and will only be considered eligible for repayment beginning in fiscal year ending June 30, 2014, subject to annual limitations and approval by the Oversight Board, once the California Department of Finance issues a “finding of completion”. A finding of completion is issued once the Successor Agency has paid all required available balances to the Orange County Auditor-Controller for distribution to various other taxing entities. The available balances consist of three components, including (1) the overpayment of tax increment revenue to the Agency during the fiscal year ended June 30, 2013, (2) the available balance of unrestricted liquid funds in the former low-moderate income housing fund, and (3) the available balance of unrestricted liquid funds in the former Redevelopment Agency’s non-housing funds. The City made all required payments during fiscal year ending June 30, 2013. See Note (3)(d) for further details regarding interagency loans.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2013, is as follows:

Transfers Out	Transfers In				Total
	Nonmajor Governmental Funds	Water Enterprise Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ 3,315,381	\$ -	\$ -	\$ 1,300,000	\$ 4,615,381
Water Enterprise Fund	-	-	21,250	342,717	363,967
Sewer Enterprise Fund	-	49,364	16,250	-	65,614
Nonmajor Enterprise Funds	-	99,844	5,000	-	104,844
Internal Service Funds	-	-	-	127,000	127,000
	<u>\$ 3,315,381</u>	<u>\$ 149,208</u>	<u>\$ 42,500</u>	<u>\$ 1,769,717</u>	<u>\$ 5,276,806</u>

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

(d) Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,426,783	\$ -	\$ -	\$ 8,426,783
Construction in progress	553,924	263,990	484,994	332,920
Total capital assets not being depreciated	<u>8,980,707</u>	<u>263,990</u>	<u>484,994</u>	<u>8,759,703</u>
Capital assets being depreciated:				
Land improvements	6,968,404	-	-	6,968,404
Buildings and improvements	15,967,890	1,187,124	-	17,155,014
Improvements other than buildings	1,133,296	-	-	1,133,296
Machinery and equipment	7,189,248	373,108	-	7,562,356
Autos and trucks	4,159,711	260,317	22,067	4,397,961
Infrastructure	77,919,323	3,757,970	-	81,677,293
Total capital assets being depreciated	<u>113,337,872</u>	<u>5,578,519</u>	<u>22,067</u>	<u>118,894,324</u>
Less accumulated depreciation for:				
Land improvements	1,660,995	291,993	-	1,952,988
Buildings and improvements	6,943,694	391,323	-	7,335,017
Improvements other than buildings	922,753	5,270	-	928,023
Machinery and equipment	3,910,588	337,732	-	4,248,320
Autos and trucks	3,128,803	221,415	22,067	3,328,151
Infrastructure	25,756,681	2,661,043	-	28,417,724
Total accumulated depreciation	<u>42,323,514</u>	<u>3,908,776</u>	<u>22,067</u>	<u>46,210,223</u>
Total capital assets being depreciated, net	<u>71,014,358</u>	<u>1,669,743</u>	<u>-</u>	<u>72,684,101</u>
Governmental activities capital assets, net	<u>\$ 79,995,065</u>	<u>\$ 1,933,733</u>	<u>\$ 484,994</u>	<u>\$ 81,443,804</u>

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

Governmental activities:	
General government	\$ 24,237
Public safety	384,657
Public works	3,094,086
Community services	379,264
Community development	26,532
Total depreciation expense, Governmental Activities	<u>\$ 3,908,776</u>

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,800,000	\$ -	\$ -	\$ 12,800,000
Construction in progress	109,962	1,033,069	-	1,143,031
	<u>12,909,962</u>	<u>1,033,069</u>	<u>-</u>	<u>13,943,031</u>
Total capital assets not being depreciated				
	12,909,962	1,033,069	-	13,943,031
Capital assets being depreciated:				
Buildings and improvements	5,141,477	-	-	5,141,477
Improvements other than buildings	253,490	-	-	253,490
Machinery and equipment	1,508,450	213,245	-	1,721,695
Autos and trucks	257,402	-	-	257,402
Infrastructure	53,653,496	7,582,153	-	61,235,649
	<u>60,814,315</u>	<u>7,795,398</u>	<u>-</u>	<u>68,609,713</u>
Total capital assets being depreciated				
	60,814,315	7,795,398	-	68,609,713
Less accumulated depreciation for:				
Buildings and improvements	4,456,270	231,368	-	4,687,638
Improvements other than buildings	238,300	12,081	-	250,381
Machinery and equipment	431,669	111,080	-	542,749
Autos and trucks	157,133	18,058	-	175,191
Infrastructure	19,253,998	1,141,962	-	20,395,960
	<u>24,537,370</u>	<u>1,514,549</u>	<u>-</u>	<u>26,051,919</u>
Total accumulated depreciation				
	24,537,370	1,514,549	-	26,051,919
Total capital assets being depreciated, net				
	<u>36,276,945</u>	<u>6,280,849</u>	<u>-</u>	<u>42,557,794</u>
Business-type activities capital assets, net				
	<u>\$ 49,186,907</u>	<u>\$ 7,313,918</u>	<u>\$ -</u>	<u>\$ 56,500,825</u>

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

Business-type activities:	
Water	\$ 964,759
Sewer	242,163
Housing Authority	209,294
Refuse	12,748
Children's Museum	34,942
Mobile Home Lease	50,643
	<u>50,643</u>
Total depreciation expense, Business-type Activities	<u>\$ 1,514,549</u>

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
Private-Purpose Trust Activities:				
Capital assets not being depreciated:				
Land	\$ 1,387,022	\$ -	\$ -	\$ 1,387,022
Total capital assets not being depreciated	1,387,022	-	-	1,387,022
Capital assets being depreciated:				
Buildings and improvements	3,051,338	-	-	3,051,338
Infrastructure	3,971,268	-	-	3,971,268
Total capital assets being depreciated	7,022,606	-	-	7,022,606
Less accumulated depreciation for:				
Buildings and improvements	76,284	76,284	-	152,568
Infrastructure	809,379	132,376	-	941,755
Total accumulated depreciation	885,663	208,660	-	1,094,323
Total capital assets being depreciated, net	6,136,943	(208,660)	-	5,928,283
Private-Purpose Trust Activities capital assets, net	<u>\$ 7,523,965</u>	<u>\$ (208,660)</u>	<u>\$ -</u>	<u>\$ 7,315,305</u>

(e) Investment in Water Rights Stock & Subsequent Event

The Utility Authority currently imports approximately 60% of its water from two major suppliers: California Domestic Water Company (Cal Domestic) and the Metropolitan Water District (MWD). In June 2013, the Utility Authority approved the purchase of additional shares of water rights stock from Cal Domestic to secure the purchase of water at a discounted rate known as an “entitlement” rate each year from the Main San Gabriel Basin. The Utility Authority owns two classes of stock: Capital Stock and Class A Preferred Stock. Currently, a share of Capital Stock represents the right to purchase approximately 1.55 acre feet (AF) of water and a share of Class A Preferred Stock represents the right to purchase 1 AF of water. At June 30, 2013, the Utility Authority owned 2,330.25 shares of Capital Stock and 687.85 shares of Class A Preferred Stock. The Utility Authority has valued its investment in water rights stock at approximately \$12.3 million, which represents cost and does not intend to sell its interest in Cal Domestic. On July 23, 2013, the Utility Authority purchased an additional 225 shares of the Class A Preferred Stock for \$3,487,500.

(f) Line of Credit & Subsequent Event

The Utility Authority entered into a \$15,000,000 line of credit agreement with Bank of the West on December 22, 2011, for the purpose of financing the purchase of additional shares of Class A Preferred Stock from Cal Domestic. Bank advances on the line of credit carry an interest rate equal to LIBOR plus 2.00%. The line of credit expired on November 30, 2013. The balance outstanding as of June 30, 2013, was \$8,141,689 and the Utility Authority paid \$90,703 in interest charges during fiscal year 2013.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

Subsequent to June 30, 2013, the Utility Authority drew down an additional \$3,790,092 on the line of credit to have an outstanding balance of \$11,931,781 as of October 22, 2013. On October 22, 2013, the Utility Authority issued \$20,210,000 of Water Revenue Bonds, Series 2013A and used a portion of these proceeds to pay off the outstanding balance of \$11,931,781 resulting in no outstanding balances on the line of credit.

(g) Long-Term Liabilities

The following is a summary of the changes in the long-term liabilities for the year ended June 30, 2013:

	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>	<u>Due within One Year</u>
Governmental activities:					
Energy loan agreement	\$ 601,581	\$ -	\$ 82,899	\$ 518,682	\$ 86,206
Energy capital lease agreement	835,402	-	84,338	751,064	93,077
Note Payable (Lowell Joint School District)	440,321	-	48,774	391,547	48,773
	<u>1,877,304</u>	<u>-</u>	<u>216,011</u>	<u>1,661,293</u>	<u>228,056</u>
Compensated absences *	<u>3,989,238</u>	<u>2,263,317</u>	<u>1,978,170</u>	<u>4,274,385</u>	<u>1,282,376</u>
	<u>5,866,542</u>	<u>2,263,317</u>	<u>2,194,181</u>	<u>5,935,678</u>	<u>1,510,432</u>
Internal service funds included in governmental activities:					
1998 Certificates of Participation, Series B	3,300,000	-	235,000	3,065,000	245,000
1998 Certificates of Participation, Series C	670,000	-	45,000	625,000	45,000
	<u>3,970,000</u>	<u>-</u>	<u>280,000</u>	<u>3,690,000</u>	<u>290,000</u>
Less unamortized discount	<u>(22,989)</u>	<u>-</u>	<u>(2,260)</u>	<u>(20,729)</u>	<u>-</u>
	<u>3,947,011</u>	<u>-</u>	<u>277,740</u>	<u>3,669,271</u>	<u>290,000</u>
Total long-term debt of governmental activities	<u>\$ 9,813,553</u>	<u>\$ 2,263,317</u>	<u>\$ 2,471,921</u>	<u>\$ 9,604,949</u>	<u>\$ 1,800,432</u>
Business-type activities:					
2010 Refunding Certificates of Participation, Series A	\$ 15,625,000	\$ -	\$ 290,000	\$ 15,335,000	\$ 295,000
2010 Revenue Bonds, Series A&B	19,405,000	-	275,000	19,130,000	285,000
Internal service funds included in business-type activities:					
2003 Revenue Bond, Series A	6,250,000	-	175,000	6,075,000	180,000
	<u>41,280,000</u>	<u>-</u>	<u>740,000</u>	<u>40,540,000</u>	<u>760,000</u>
Add unamortized premium	257,754	-	9,373	248,381	-
Less unamortized discount	(265,936)	-	(9,441)	(256,495)	-
Less loss on refunding	<u>(1,702,528)</u>	<u>-</u>	<u>(64,373)</u>	<u>(1,638,155)</u>	<u>-</u>
Total long-term debt of business-type activities	<u>\$ 39,569,290</u>	<u>\$ -</u>	<u>\$ 675,559</u>	<u>\$ 38,893,731</u>	<u>\$ 760,000</u>
Private-purpose trust activities:					
1999 refunding special tax bonds	\$ 1,715,000	-	175,000	1,540,000	185,000
2000 tax allocation bonds	6,575,000	-	230,000	6,345,000	245,000
Note Payable (Howard's Appliances)	1,224,979	-	123,024	1,101,955	130,611
Total long-term debt of private-purpose trust activities	<u>\$ 9,514,979</u>	<u>\$ -</u>	<u>\$ 528,024</u>	<u>\$ 8,986,955</u>	<u>\$ 560,611</u>

CITY OF LA HABRA
Notes to Financial Statements (Continued)
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* The portion of compensated absences due within one year is reported in the Internal Service Employee Benefit fund. All compensated absences are expended out of each of the respective funds that the payroll time was allocated to during that payroll period.

I. Governmental Activities

Energy Loan Agreement and Energy Capital Lease Agreement

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

To pay for these solutions, the City entered into a \$1,080,000 loan agreement and a separate \$1,273,390 capital lease agreement for the acquisition of buildings and improvements. The loan agreement is due in 28 semiannual installments of \$52,981, payments beginning on December 22, 2005. The capital lease agreement calls for 62 quarterly payments ranging from \$22,581 to \$38,999, ending on November 11, 2020. The City remitted a total of \$105,854 and \$122,139 for principal and interest on the loan and capital lease, respectively, during the year ended June 30, 2013.

Fiscal Year Ending June 30	Energy Loan		Energy Capital Lease	
	Principal	Interest	Principal	Interest
2014	\$ 86,206	\$ 19,648	\$ 93,077	\$ 33,860
2015	89,645	16,209	102,362	29,517
2016	93,189	12,665	112,222	24,747
2017	96,938	8,916	122,689	19,523
2018	100,805	5,049	133,794	13,817
2019-2020	51,899	1,028	186,920	8,897
Totals	<u>\$ 518,682</u>	<u>\$ 63,515</u>	<u>\$ 751,064</u>	<u>\$ 130,361</u>

Notes Payable

The City has a note payable to the Lowell Joint School District that bears interest at 4.75% per annum and is secured by a deed of trust. The note payable calls for monthly payments of \$5,720, including interest, and expires in February 2020. The source of repayment is the General Fund. The outstanding balance at June 30, 2013 is \$391,547.

1998 Certificates of Participation, Series B and C

On September 15, 1998, the Civic Improvement Authority issued Certificates of Participation, Series B and C (Refunding Certificates) in an aggregate amount of \$6,705,000 with variable and fixed interest rates ranging from 4% to 6.5% to advance refund \$5,105,000 of outstanding 1992 Tax Allocation Revenue Bonds (Refunding Bonds), with interest rates ranging from 4.75% to 7.6%. The certificates mature in various annual amounts through September 1, 2022, and are payable

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from lease payments made by the City to the Authority as defined in the lease agreement. Lease payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the properties during each such period. Pledged lease payment received during the year ended June 30, 2013, was \$472,666 and was used against the total debt service payments of \$472,666. The outstanding balance at June 30, 2013 is \$3,690,000.

2. *Business-Type Activities*

2003 Revenue Bonds, Series A

On October 1, 2003, the Civic Improvement Authority issued \$5,475,000 Serial Bonds and \$2,025,000 Term Bonds, collectively called Revenue Bonds, 2003 Series A, in the amount of \$7,500,000 with variable and fixed interest rates ranging from 1.500% to 5.125%. The Revenue Bonds mature in varying amounts through October 2033 and are secured by and to be serviced from all net income and revenue reported in the Water Fund. Net revenue recognized during the year ended June 30, 2013 was \$4,449,412 against the total principal and interest payment of \$466,125. The outstanding balance at June 30, 2013 is \$6,075,000.

2010 Refunding Certificates of Participation, Series A

On March 25, 2010, the Housing Authority issued Certificates of Participation, Series A (Certificates) in an aggregate amount of \$15,910,000 with variable and fixed interest rates ranging from 1.00% to 5.25% to provide funds to refund on a current basis the outstanding 1998 Refunding Certificates of Participation, Series A (1998 Certificates), with interest rates ranging from 4% to 4.8%. The Certificates mature in varying annual amounts through September 1, 2040. Lease payments are to be paid by the city in each rental period for and in consideration of the right to use and occupy the properties during each such period. The outstanding balance at June 30, 2013 is \$15,335,000.

2010 Water Revenue Bonds, Series A and Series B

On December 1, 2010, the La Habra Utility Authority issued Water Revenue Bonds, Series A and B in an aggregate amount of \$19,675,000 with interest rates ranging from 2% to 7.55% to finance future capital improvements. The bonds mature in various annual amounts through November 2040 and are secured by a pledge of net income and revenues reported in the Water Enterprise Fund. Net revenue recognized during the year ended June 30, 2013 was \$4,449,412 against the total debt service payment of \$1,540,480. Principal is payable annually on each November 1, commencing November 1, 2011. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2011. The outstanding balance at June 30, 2013 is \$19,130,000.

3. *Private-Purpose Trust Activities*

1999 Refunding Special Tax Bonds

On July 1, 1999, the Community Facilities District of the Agency issued 1999 Special Tax Bonds (Refunding Bonds) in the amount of \$3,185,000 at interest rates ranging from 4.25% to 6% to advance refund \$3,250,000 of outstanding 1990 Special Tax Bonds (Refunded Bonds) with interest rates ranging from 7% to 7.75%. The bonds are secured primarily by a pledge of all special tax revenues levied on taxable real property with the District. Special tax revenues are defined as the special taxes levied by the Agency within the District. In addition, the Agency has committed,

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Notes to Financial Statements (Continued)
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through an Owner Participation Agreement, to subsidize the special taxes payable on the Refunding Bonds with incremental property taxes. These revenues have been pledged until the year 2019, the final maturity date of the bonds. The total principal and interest remaining on the bonds is \$1,884,400, the approximate amount of revenue pledged. Special tax revenue recognized during the year ended June 30, 2013 was \$291,856 as against the total debt service payments of \$272,650.

Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the bonds was transferred to the Successor Agency. The outstanding balance at June 30, 2013 is \$1,540,000.

2000 Tax Allocation Bonds

On November 1, 2000, the Agency issued Tax Allocation Bonds in an aggregate amount of \$8,000,000 with variable and fixed interest rates ranging from 4.5% to 5.875% to finance the Agency's redevelopment activities. The bonds mature in various annual amounts through October 1, 2032 and are secured and to be serviced from tax increment revenues of the Agency. All tax increment revenues are the security for bonds. The total principal and interest remaining on the bonds is \$10,421,954 the approximate amount of revenue pledged. Pledged tax increment revenue recognized during the year ended June 30, 2013 was \$2,446,245 as against the total debt service payments of \$600,860.

Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the bonds was transferred to the Successor Agency. The outstanding balance at June 30, 2013 is \$6,345,000.

Notes Payable

On July 23, 2010, the Agency had purchase property from the Howard's Appliances, Inc. and issued a note payable in the amount of \$1,450,000. The note bears interest at 6.00% per annum and is secured by a deed of trust. The note payable calls for annual payments of \$193,176, including interest, and expires in June 2020.

Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the note was transferred to the Successor Agency. The outstanding balance at June 30, 2013 is \$1,101,955.

At June 30, 2013, annual debt service requirements to maturity for long-term debt, excluding accrued compensated absences, are as follows:

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Notes to Financial Statements (Continued)
June 30, 2013

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities		Private-Purpose Activities	
	Principal	Interest	Principal	Interest*	Principal	Interest
2014	520,425	249,910	760,000	2,269,916	560,611	507,927
2015	555,631	224,973	790,000	2,248,340	588,667	475,245
2016	586,639	198,303	805,000	2,224,727	617,220	440,552
2017	618,585	169,911	830,000	2,197,927	646,300	404,010
2018	651,419	139,964	865,000	2,166,893	625,940	367,004
2019-2023	2,418,594	2,888,362	4,900,000	10,294,825	2,283,217	1,345,086
2024-2028	-	-	6,170,000	9,072,446	1,670,000	825,493
2029-2033	-	-	7,865,000	7,039,647	1,995,000	306,234
2034-2038	-	-	10,130,000	4,230,873	-	-
2039-2041	-	-	7,425,000	759,425	-	-
	<u>5,351,293</u>	<u>3,871,423</u>	<u>40,540,000</u>	<u>42,505,019</u>	<u>8,986,955</u>	<u>4,671,551</u>
Unamortized premium	-	-	248,381	(248,381)	-	-
Unamortized discount	(20,729)	20,729	(256,495)	256,495	-	-
Loss on refunding	-	-	(1,638,155)	1,638,155	-	-
Totals	<u>\$ 5,330,564</u>	<u>\$ 3,892,152</u>	<u>\$ 38,893,731</u>	<u>\$ 44,151,288</u>	<u>\$ 8,986,955</u>	<u>\$ 4,671,551</u>

* Interest is before the Federal subsidy for the 2010 Water Revenue Bonds, Series B. The total expected subsidy is \$8,652,580 through 2041.

(h) Operating Leases

The City is committed under non-cancellable operating lease agreements principally related to office equipment. Most of the City leases include renewal options, purchase options or both. These provisions may be exercised by the City upon the expiration of the related lease agreements. Total costs for such leases were \$48,342 for the year ended June 30, 2013. The future minimum lease payments are as follows:

Fiscal Year Ending June 30	Amount
2014	<u>\$ 26,258</u>
Total	<u>\$ 26,258</u>

(i) Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for government funds are made up of the following:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action (i.e., resolution or ordinance) of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally. There were no committed fund balances at June 30, 2013.
- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council body by delegating the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In the General Fund, the City has designated \$1,629,512 as an operating reserve, in accordance with the City’s General Fund Operating Reserve Policy. This amount may only be used for one-time operating expenditures, upon authorization from the City Manager and approval by the City Council. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

(3) OTHER INFORMATION

(a) Pension Plan

Plan Description

The City’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Miscellaneous Plan of the City of La Habra. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The City also contributes to the Safety Plan, a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Safety Police Plan of the City of La Habra. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
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Funding Policy

Participants are required to contribute 7% and 9% for miscellaneous and safety employees, respectively, of their annual covered salary. The City makes the contributions required of most City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate for FY 12/13 was 11.862% and 33.391% of annual covered payroll for miscellaneous and safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

The funded status of the plan is based on the June 30, 2012 actuarial valuation as follows:

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Value of Assets</u>	<u>(Excess Assets)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Liability % of Payroll</u>
<u>Miscellaneous Plan</u>						
6/30/2012	\$ 79,216,276	\$ 71,487,604	\$ 7,728,672	75.2%	\$ 11,648,745	66.3%

The schedule of funding progress presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

As required by State law, effective July 1, 2005, the City's Safety Plan (agent-employer) was terminated, and the employees in this Plan were required by CalPERS to join a new State-wide cost-sharing pool. One of the conditions of entry to this pool was that the City true-up any unfunded actuarial liabilities of the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by PERS. The City satisfied its Plan's unfunded actuarial liabilities by contributing to the Side Fund through additions to its normal contribution rate. The Side Fund amortization rate for the year ended June 30, 2013 was 6.975%, and was included as part of the City's required employer contribution rate. As of the June 30, 2012 actuarial valuation (most current valuation available), the estimated Safety Plan's Side Fund's liability was \$6,274,430.

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost for its miscellaneous and safety plans of \$4,547,653 with CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation, June 30, 2012, using the entry age normal cost method. The actuarial assumptions included a) 7.50% investment rate of return (net of administrative expenses); b) projected salary increases ranging from 3.30% to 14.20% depending on age, duration of service, and type of employment; and c) 3.00% per year cost-of-living adjustments. Both a) and b) included an inflation component of 2.75%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period depending on the size of investment gains and/or losses. PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and

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losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year.

The information presented below is the latest available.

Three-Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	<u>Miscellaneous Plan</u>		
6/30/2011	\$ 1,954,539	100%	\$ -0-
6/30/2012	2,231,449	100%	-0-
6/30/2013	2,219,217	100%	-0-

Three-Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	<u>Safety Plan</u>		
6/30/2011	\$ 1,921,156	100%	\$ -0-
6/30/2012	2,501,967	100%	-0-
6/30/2013	2,328,436	100%	-0-

The City's employer contribution rate for safety employees is estimated to increase to approximately 34.808% and 36.998% for the fiscal years 2013-2014 and 2014-2015, respectively. Also, the City's employer contribution rate for miscellaneous employees is estimated to increase to approximately 12.571% and 13.521% for the fiscal years 2013-2014 and 2014-2015.

(b) Post Employment Benefits

Plan Description

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

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The City provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA) administered by the CalPERS. The City contributes the PEMHCA minimum for eligible retirees and surviving spouses. The City additionally contributes \$200 monthly to two eligible Fire Union retirees until age 65. The City also provides full medical coverage for life under a special agreement to one annuitant and dependents. No dental, vision, or life insurance benefits are provided. As of June 30, 2012, plan membership consisted of 298 active participants and 144 retirees and beneficiaries, 74 of who are currently receiving benefits. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

There is no statutory requirement for the City to prefund its OPEB obligation. The City has currently chosen to pay plan benefits on a pay-as-you-go basis. There are no employee contributions. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For fiscal year 2012-2013, the City paid approximately \$137,000 for retiree healthcare plan benefits.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 615,000
Interest on net OPEB obligation	49,000
Adjustment to annual required contribution	<u>(108,000)</u>
Annual OPEB cost (expense)	556,000
Contributions (benefit payments)	<u>(137,000)</u>
Increase in net OPEB obligation	419,000
Net OPEB obligation - beginning of year	<u>1,297,000</u>
Net OPEB obligation - end of year	<u><u>\$ 1,716,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011 through 2013 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	\$ 556,000	24.6%	\$ 1,716,000
6/30/2012	474,000	26.4%	1,297,000
6/30/2011	447,000	27.1%	948,000

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Notes to Financial Statements (Continued)
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Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the plan's most recent actuarial valuation date was as follows:

Actuarial accrued liability (AAL)	\$	5,879,000
Actuarial value of plan assets		-
		5,879,000
Unfunded actuarial accrued liability (UAAL)		5,879,000
Fund ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active Plan members)		16,525,000
UAAL as a percentage of covered payroll		35.6%

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

In addition to funding current year liabilities, the City has established an internal service fund to begin addressing its long-term unfunded OPEB liability and will annually add to this fund when funding becomes available. As of June 30, 2013, the City's OPEB internal service fund had unrestricted net position of approximately \$403,400.

Actuarial Methods and Assumption

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

In the June 30, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment return on City investments, an annual healthcare cost trend rate of 8.0% to 8.3% initially, which varies by the Medicare eligibility, reduced by decrements to an ultimate rate of 5.0% after 8 years, a 3% general inflation assumption and an annual PEMHCA minimum increase rate of 4.5% after 2012. The UAAL is being amortized as a level percentage of projected payroll over a 30 year fixed (closed) period with 26 years remaining, as of June 30, 2012.

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Notes to Financial Statements (Continued)
June 30, 2013

(c) *Commitments and Contingencies*

1. *Self-Insurance*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City established a self-insurance program, the Risk Management Fund, to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$750,000 for each miscellaneous claim, \$1,000,000 for each safety workers' compensation claim, and \$300,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of amounts needed to pay claims.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year end. The accruals are in the amounts of \$1,884,669 and \$661,397 for the workers' compensation claims and general liability claims, respectively, and are reported as accrued liabilities on the Statement of Net Position in the Risk Management Internal Services Fund.

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

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>
Amount of accrued claims at June 30, 2011	\$ 1,326,990	\$ 729,204
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	1,723,191	(150,212)
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(960,944)</u>	<u>(1,589)</u>
Amounts of accrued claims at June 30, 2012	2,089,237	577,403
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	624,742	182,182
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(829,310)</u>	<u>(98,188)</u>
Amounts of accrued claims at June 30, 2013	<u>\$ 1,884,669</u>	<u>\$ 661,397</u>

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Notes to Financial Statements (Continued)
June 30, 2013

2. *Litigation*

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

3. *Owner Participation Agreements*

The Agency entered into several Owner Participation Agreements with various business owners within the City. Generally, these agreements required that the Agency remit to these businesses a portion of the sales tax revenue generated by their operations. However, one agreement required the Agency to remit a percentage of the incremental property tax revenue earned by the Agency due to the increase in the assessed value of the business property in addition to a percentage of the sales tax revenue generated by their operations. Most of the agreements provide for limits of the amount of tax that can be remitted back to the business owner, ranging in the aggregate up to a maximum of \$5,839,000. The remaining number of years under these agreements range from 1 to 13 years and the Agency remitted approximately \$560,000 during the year ended June 30, 2013.

On February 1, 2012, the Successor Agency assumed all responsibilities under the agreement. Future payments towards the purchase, if any, will be requested through the semi-annual Redevelopment Property Tax Trust Fund (RPTTF) distribution process.

4. *Contractual Commitments*

The City was involved in contractual agreements for construction in progress. As of June 30, 2013, the remaining estimated costs for the contractual agreements are approximately \$5,311,334.

5. *Pollution Remediation Obligation*

The City was named as a responsible party in the environmental remediation of a City-owned park. The property was had been previously used as a refuse disposal site operated by the County of Orange, California (County), between 1949 and 1958. Prior to 1949, the park site was a burn dump operated by the City. As a result of these prior refuse disposal activities, several regulatory agencies have issued notices, orders and/or directives requiring the City to monitor methane gas emissions. In response to the regulatory agencies, the City has installed a methane monitoring system. The City estimates the cost to fully remediate the property to be \$2,300,000, which includes the preliminary design and construction of a permanent landfill "cap".

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

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Notes to Financial Statements (Continued)
June 30, 2013

Measurement and Assumptions

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

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

Recoveries

The City Council approved a settlement agreement with the County of Orange on November 21, 2005, related to the remediation of the property. Under the terms of the settlement agreement, dated November 30, 2005, the County has paid \$4,995,000 for the full cost of remediation and to provide funding for future ongoing maintenance costs. The settlement relieves the County of any further remediation obligation related to the methane gas emissions and obligates the City as the responsible party to respond to current and future orders, notices and directives from regulatory agencies. As of June 30, 2013, the City has expensed \$1,331,820 related to monitoring activities. \$2,300,000 of the remaining cash balance is off-set by a pollution remediation liability and \$1,363,180 is restricted for future annual monitoring expenses that will be incurred.

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

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of La Habra (City) that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council elected to become the Successor Agency to the La Habra Redevelopment Agency (Successor Agency) in accordance with the Bill as part of the City resolution number 5508.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2013

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In FY 12/13 and future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The State Controllers Office reviewed the asset transfers made by the former La Habra Redevelopment Agency and the City of La Habra from January 1, 2011 to January 31, 2012 and issued their report on March 28, 2014. This review applied to all assets including but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights and rights to payment of any kind. The review concluded that the former La Habra Redevelopment Agency transferred \$16,838,154 in assets after January 1, 2011 including unallowable transfers to the City totaling \$1,442,882 or 8.57% of transferred assets. However, the City concurred with this item and on January 30, 2014, the City transferred cash in the amount of \$1,442,882 to the Successor Agency, resolving the matter.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. On May 29, 2013, the City received notice that the Department of Finance (DOF) issued the Finding of Completion for the City of La Habra Successor Agency. The Finding of Completion allows the Successor Agency to place the loan agreements between the former La Habra Redevelopment Agency and the City of La Habra on the Recognized Obligation Payments Schedule (ROPS), as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. The City presented these loan agreements to the Successor Agency oversight board in September 2013.

(4) SUBSEQUENT EVENT

On October 22, 2013, the Utility Authority issued \$20,210,000 of Water Revenue Bonds, Series 2013A and used the proceeds to 1) pay off the outstanding balance of \$11,931,781 resulting in no outstanding balances on the line of credit, 2) refund the Series 2003 Bonds (except the 2003 Bonds maturing on November 1, 2013) in the amount of \$6,075,000, 3) finance additional improvements to the water system and 4) pay the costs of issuance in connection with the issuance and sale of the Series 2013 Bonds.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF LA HABRA
Post Employment Healthcare Plan
Schedule of Funding Progress
June 30, 2013

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (b)	Accrued Liability [(b)-(a)]	Funded Ratio [(a)/(b)]	Covered Payroll (c)	Covered Payroll {[(b)-(a)]/(c)}
June 30, 2008	\$ -	\$ 4,473,000	\$ 4,473,000	0%	\$ 15,920,000	28.1%
June 30, 2010	\$ -	\$ 5,083,000	\$ 5,083,000	0%	\$ 15,908,000	32.0%
June 30, 2012	\$ -	\$ 5,879,000	\$ 5,879,000	0%	\$ 16,525,000	35.6%

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA
Public Employees Retirement System
Schedule of Funding Progress
June 30, 2013

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assets) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}
June 30, 2010						
Misc.	71,185,484	64,831,769	6,353,715	71.3%	11,898,776	53.4%
June 30, 2011						
Misc.	75,595,594	68,280,690	7,314,904	80.1%	11,758,739	62.2%
June 30, 2012						
Misc.	79,216,276	71,487,604	7,728,672	75.2%	11,648,745	66.3%

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance from
	<u>Original</u>	<u>Final</u>		Final Budget
				(Negative)
Revenues:				
Property taxes and special assessments	\$ 12,350,209	\$ 12,350,209	\$ 13,333,682	\$ 983,473
Sales and use tax	8,995,239	8,995,239	9,095,047	99,808
Transaction and use tax	4,327,000	4,327,000	4,496,894	169,894
Franchise tax	1,554,000	1,554,000	1,581,719	27,719
Intergovernmental	60,000	60,000	392,935	332,935
Licenses and permits	817,789	817,789	1,155,876	338,087
Charges for services	3,778,375	3,778,375	4,760,673	982,298
Fines, forfeitures, and penalties	725,000	725,000	721,905	(3,095)
Use of money and property	1,934,107	1,934,107	2,382,149	448,042
Total revenues	<u>34,541,719</u>	<u>34,541,719</u>	<u>37,920,880</u>	<u>3,379,161</u>
Expenditures:				
Current:				
General government	3,015,338	3,036,365	2,623,342	413,023
Public safety	22,395,700	22,656,081	22,089,191	566,890
Public works	3,103,501	3,124,036	3,057,645	66,391
Community services	2,841,014	2,849,941	2,572,205	277,736
Community development	2,855,859	2,875,880	2,785,591	90,289
Debt service:				
Principal	167,239	167,239	167,237	2
Interest expense	60,756	60,756	60,755	1
Total expenditures	<u>34,439,407</u>	<u>34,770,298</u>	<u>33,355,966</u>	<u>1,414,332</u>
Excess (deficiency) of revenues over expenditures	<u>102,312</u>	<u>(228,579)</u>	<u>4,564,914</u>	<u>4,793,493</u>
Other financial sources (uses):				
Transfers out	<u>(68,637)</u>	<u>(68,637)</u>	<u>(4,615,381)</u>	<u>(4,546,744)</u>
Total other financing sources (uses)	<u>(68,637)</u>	<u>(68,637)</u>	<u>(4,615,381)</u>	<u>(4,546,744)</u>
Net change in fund balance	33,675	(297,216)	(50,467)	246,749
Fund balance, beginning of year	<u>14,500,195</u>	<u>14,500,195</u>	<u>14,500,195</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,533,870</u>	<u>\$ 14,202,979</u>	<u>\$ 14,449,728</u>	<u>\$ 246,749</u>

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA
Child Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 5,887,013	\$ 5,887,013	\$ 5,919,381	\$ 32,368
Use of money and property	-	-	183	183
Total revenues	<u>5,887,013</u>	<u>5,887,013</u>	<u>5,919,564</u>	<u>32,551</u>
Expenditures:				
Current:				
Community services	5,887,013	5,895,538	5,844,971	50,567
Capital outlay	-	-	69,861	(69,861)
Total expenditures	<u>5,887,013</u>	<u>5,895,538</u>	<u>5,914,832</u>	<u>(19,294)</u>
Net change in fund balance	-	(8,525)	4,732	13,257
Fund balance, beginning of year	<u>8,264</u>	<u>8,264</u>	<u>8,264</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 8,264</u>	<u>\$ (261)</u>	<u>\$ 12,996</u>	<u>\$ 13,257</u>

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA
Measure M Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 2,674,574	\$ 2,674,574	\$ 1,422,248	\$ (1,252,326)
Use of money and property	-	3,200	2,266	(934)
Total Revenues	<u>2,674,574</u>	<u>2,677,774</u>	<u>1,424,514</u>	<u>(1,253,260)</u>
Expenditures:				
Current:				
Public works	434,133	435,822	782,061	(346,239)
Capital outlay	<u>5,844,798</u>	<u>5,844,798</u>	<u>939,637</u>	<u>4,905,161</u>
Total expenditures	<u>6,278,931</u>	<u>6,280,620</u>	<u>1,721,698</u>	<u>4,558,922</u>
Excess (deficiency) of revenues over (under) expenditures	(3,604,357)	(3,602,846)	(297,184)	3,305,662
Other financing sources:				
Transfers in	<u>520,653</u>	<u>520,653</u>	-	<u>(520,653)</u>
Net change in fund balance	(3,083,704)	(3,082,193)	(297,184)	2,785,009
Fund balance, beginning of year	<u>999,848</u>	<u>999,848</u>	<u>999,848</u>	-
Fund balance (deficit), end of year	<u>\$ (2,083,856)</u>	<u>\$ (2,082,345)</u>	<u>\$ 702,664</u>	<u>\$ 2,785,009</u>

See Accompanying Note to Required Supplementary Information.



CITY OF LA HABRA
Note to Required Supplementary Information
June 30, 2013

(1) Budgets and Budgetary Accounting

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

The appropriated budget is prepared by fund, function, and department. The government's department head, with approval of the Finance Director and City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments within a fund must be approved by the City Manager. Transfers between funds must be approved by the City Council; therefore, the legal level of budgetary control is at the fund level. The Council made several supplemental budgetary appropriations throughout the year.

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

(a) Excess of Expenditures Over Appropriations

<u>Fund</u>	<u>Amount</u> <u>Over Budget</u>
Housing and Community Development Special Revenue Fund	\$ 224,425
Child Development Special Revenue Fund	19,294
Law Enforcement Special Revenue Fund	102,457
Low-Moderate Income Housing Assets Capital Projects Fund	56,633



NONMAJOR GOVERNMENTAL FUNDS





CITY OF LA HABRA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds		
	State Gas Tax	Park and Capital Development	Air Quality Improvement
Assets:			
Cash and investments	\$ 4,319,503	\$ 1,560,878	\$ 42,875
Accounts receivables	-	-	-
Interest receivables	10,609	3,780	-
Due from other governments	124,618	-	38,996
Loans to Successor Agency	-	-	-
Land held for resale	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ 4,454,730	\$ 1,564,658	\$ 81,871
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities:			
Accounts payable	\$ 125,706	\$ 6,042	\$ 12,973
Accrued liabilities	2,313	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	128,019	6,042	12,973
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund balances:			
Restricted:			
Low-moderate income housing	-	-	-
Public safety	-	-	-
Public works	4,326,711	-	68,898
Community development	-	1,558,616	-
Employment and training	-	-	-
Assigned:			
Public works	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	4,326,711	1,558,616	68,898
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	\$ 4,454,730	\$ 1,564,658	\$ 81,871
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Special Revenue Funds

Law Enforcement	Housing and Community Development	Employment and Training	Public Safety Augmentation	Other Federal Grants	Traffic Safety
\$ 834,636	\$ -	\$ -	\$ 604,654	\$ -	\$ -
-	-	-	-	-	77
2,004	-	-	1,659	-	157
158,561	494,409	77,996	29,561	228,245	411,440
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 995,201</u>	<u>\$ 494,409</u>	<u>\$ 77,996</u>	<u>\$ 635,874</u>	<u>\$ 228,245</u>	<u>\$ 411,674</u>
\$ 47,797	\$ 10,373	\$ 2,128	\$ 1,900	\$ -	\$ 79,949
92,274	16,129	12,203	-	-	8,850
6,000	-	-	-	-	-
-	314,399	28,683	-	228,245	256,969
66,900	-	-	-	-	-
<u>212,971</u>	<u>340,901</u>	<u>43,014</u>	<u>1,900</u>	<u>228,245</u>	<u>345,768</u>
-	-	-	-	-	-
782,230	-	-	633,974	-	65,906
-	-	-	-	-	-
-	153,508	-	-	-	-
-	-	34,982	-	-	-
-	-	-	-	-	-
<u>782,230</u>	<u>153,508</u>	<u>34,982</u>	<u>633,974</u>	<u>-</u>	<u>65,906</u>
<u>\$ 995,201</u>	<u>\$ 494,409</u>	<u>\$ 77,996</u>	<u>\$ 635,874</u>	<u>\$ 228,245</u>	<u>\$ 411,674</u>

(Continued)

CITY OF LA HABRA
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2013

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
	<u>Service Authority for Abandoned Vehicles</u>	<u>Other Debt Service</u>	<u>Other Capital Projects</u>
Assets:			
Cash and investments	\$ 504,800	\$ -	\$ 4,887,555
Accounts receivables	-	-	-
Interest receivables	1,215	-	4,110
Due from other governments	-	-	-
Loans to Successor Agency	-	-	-
Land held for resale	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 506,015</u>	<u>\$ -</u>	<u>\$ 4,891,665</u>
Liabilities:			
Accounts payable	\$ 38	\$ -	\$ 232,485
Accrued liabilities	5,102	-	988
Deposits payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>5,140</u>	<u>-</u>	<u>233,473</u>
Fund balances:			
Restricted:			
Low-moderate income housing	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community development	500,875	-	-
Employment and training	-	-	-
Assigned:			
Public works	-	-	4,658,192
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>500,875</u>	<u>-</u>	<u>4,658,192</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 506,015</u>	<u>\$ -</u>	<u>\$ 4,891,665</u>

Capital	
Projects Funds	
Low-Moderate	
Income	
Housing Assets	Total
\$ 223,559	\$ 12,978,460
-	77
594	24,128
-	1,563,826
616,908	616,908
111,000	111,000
<u>\$ 952,061</u>	<u>\$ 15,294,399</u>
\$ 14,530	\$ 533,921
5,351	143,210
-	6,000
-	828,296
4,940	71,840
<u>24,821</u>	<u>1,583,267</u>
927,240	927,240
-	1,482,110
-	4,395,609
-	2,212,999
-	34,982
-	4,658,192
<u>927,240</u>	<u>13,711,132</u>
<u>\$ 952,061</u>	<u>\$ 15,294,399</u>

CITY OF LA HABRA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds		
	State Gas Tax	Park and Capital Development	Air Quality Improvement
Revenues:			
Intergovernmental	\$ 1,433,530	\$ -	\$ 150,581
Licenses and permits	-	172,441	-
Charges for services	-	-	-
Use of money and property	1,248	1,219	89
Total revenues	<u>1,434,778</u>	<u>173,660</u>	<u>150,670</u>
Expenditures:			
Current:			
General government	-	-	144,848
Public safety	-	-	-
Public works	167,559	-	-
Employment and training	-	-	-
Community development	-	9,189	-
Capital outlay	1,319,505	23,145	-
Debt service:			
Principal	-	-	-
Interest expense	-	-	-
Total expenditures	<u>1,487,064</u>	<u>32,334</u>	<u>144,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,286)</u>	<u>141,326</u>	<u>5,822</u>
Other financing sources (uses):			
Transfers in	-	-	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(52,286)	141,326	5,822
Fund balances, beginning of year	<u>4,378,997</u>	<u>1,417,290</u>	<u>63,076</u>
Fund balances, end of year	<u><u>\$ 4,326,711</u></u>	<u><u>\$ 1,558,616</u></u>	<u><u>\$ 68,898</u></u>

Special Revenue Funds

Law Enforcement	Housing and Community Development	Employment and Training	Public Safety Augmentation	Other Federal Grants	Traffic Safety
\$ 1,109,103	\$ 894,084	\$ 368,535	\$ 237,552	\$ 80,186	\$ 411,440
-	-	-	-	-	-
-	-	-	-	-	23,013
(8,643)	-	-	(2,628)	-	179
<u>1,100,460</u>	<u>894,084</u>	<u>368,535</u>	<u>234,924</u>	<u>80,186</u>	<u>434,632</u>
-	-	-	-	-	-
923,967	-	-	186,285	-	21,799
-	-	-	-	70,714	-
-	-	369,315	-	-	-
-	541,469	-	-	-	-
920,370	354,020	-	-	44,438	393,461
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,844,337</u>	<u>895,489</u>	<u>369,315</u>	<u>186,285</u>	<u>115,152</u>	<u>415,260</u>
<u>(743,877)</u>	<u>(1,405)</u>	<u>(780)</u>	<u>48,639</u>	<u>(34,966)</u>	<u>19,372</u>
5,111	-	-	-	34,966	-
2,694	-	-	-	-	-
<u>7,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,966</u>	<u>-</u>
(736,072)	(1,405)	(780)	48,639	-	19,372
<u>1,518,302</u>	<u>154,913</u>	<u>35,762</u>	<u>585,335</u>	<u>-</u>	<u>46,534</u>
<u>\$ 782,230</u>	<u>\$ 153,508</u>	<u>\$ 34,982</u>	<u>\$ 633,974</u>	<u>\$ -</u>	<u>\$ 65,906</u>

(Continued)

CITY OF LA HABRA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2013

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
	<u>Service Authority for Abandoned Vehicles</u>	<u>Other Debt Service</u>	<u>Other Capital Projects</u>
Revenues:			
Intergovernmental	\$ 95,864	\$ -	\$ 4,180
Licenses and permits	-	-	-
Charges for services	-	-	-
Use of money and property	4,159	-	89,044
Total revenues	<u>100,023</u>	<u>-</u>	<u>93,224</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Employment and training	-	-	-
Community development	144,928	-	325,112
Capital outlay	-	-	586,172
Debt service:			
Principal	-	48,774	-
Interest expense	-	19,863	-
Total expenditures	<u>144,928</u>	<u>68,637</u>	<u>911,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,905)</u>	<u>(68,637)</u>	<u>(818,060)</u>
Other financing sources (uses):			
Transfers in	-	68,637	3,206,667
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>68,637</u>	<u>3,206,667</u>
Net change in fund balances	(44,905)	-	2,388,607
Fund balances, beginning of year	<u>545,780</u>	<u>-</u>	<u>2,269,585</u>
Fund balances (deficit), end of year	<u>\$ 500,875</u>	<u>\$ -</u>	<u>\$ 4,658,192</u>

Capital	
Projects Fund	
Low-Moderate	
Income	
Housing Assets	Total
\$ -	\$ 4,785,055
-	172,441
-	23,013
2,876	87,543
<u>2,876</u>	<u>5,068,052</u>
-	144,848
-	1,132,051
-	238,273
-	369,315
202,164	1,222,862
59,918	3,701,029
-	48,774
-	19,863
<u>262,082</u>	<u>6,877,015</u>
<u>(259,206)</u>	<u>(1,808,963)</u>
-	3,315,381
-	2,694
-	3,318,075
(259,206)	1,509,112
1,186,446	12,202,020
<u>\$ 927,240</u>	<u>\$ 13,711,132</u>

CITY OF LA HABRA
State Gas Tax Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 2,482,187	\$ 1,433,530	\$ (1,048,657)
Use of money and property	42,113	1,248	(40,865)
Total revenues	<u>2,524,300</u>	<u>1,434,778</u>	<u>(1,089,522)</u>
Expenditures:			
Current:			
Public works	279,914	167,559	112,355
Capital outlay	<u>3,605,546</u>	<u>1,319,505</u>	<u>2,286,041</u>
Total expenditures	<u>3,885,460</u>	<u>1,487,064</u>	<u>2,398,396</u>
Net change in fund balance	(1,361,160)	(52,286)	1,308,874
Fund balance, beginning of year	<u>4,378,997</u>	<u>4,378,997</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,378,997</u></u>	<u><u>\$ 4,326,711</u></u>	<u><u>\$ -</u></u>

CITY OF LA HABRA
Park and Capital Improvement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Licenses and permits	\$ 183,800	\$ 172,441	\$ (11,359)
Use of money and property	16,616	1,219	(15,397)
Total Revenues	<u>200,416</u>	<u>173,660</u>	<u>(26,756)</u>
Expenditures:			
Current:			
Community development	-	9,189	(9,189)
Capital outlay	<u>359,250</u>	<u>23,145</u>	<u>336,105</u>
Total Expenditures	<u>359,250</u>	<u>32,334</u>	<u>326,916</u>
Net change in fund balance	(158,834)	141,326	300,160
Fund balance, beginning of year	<u>1,417,290</u>	<u>1,417,290</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,258,456</u>	<u>\$ 1,558,616</u>	<u>\$ 300,160</u>

CITY OF LA HABRA
Air Quality Improvement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 135,200	\$ 150,581	\$ 15,381
Use of money and property	1,341	89	(1,252)
Total revenues	<u>136,541</u>	<u>150,670</u>	<u>14,129</u>
Expenditures:			
Current:			
General government	<u>168,750</u>	<u>144,848</u>	<u>23,902</u>
Net change in fund balance	(32,209)	5,822	38,031
Fund balance, beginning of year	<u>63,076</u>	<u>63,076</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 30,867</u></u>	<u><u>\$ 68,898</u></u>	<u><u>\$ -</u></u>

CITY OF LA HABRA
Law Enforcement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 736,965	\$ 1,109,103	\$ 372,138
Use of money and property	11,501	(8,643)	(20,144)
Total revenues	<u>748,466</u>	<u>1,100,460</u>	<u>351,994</u>
Expenditures:			
Current:			
Public safety	524,680	923,967	(399,287)
Capital outlay	1,217,200	920,370	296,830
Total Expenditures	<u>1,741,880</u>	<u>1,844,337</u>	<u>(102,457)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>223,786</u>	<u>(743,877)</u>	<u>249,537</u>
Other financing sources:			
Transfers in	-	5,111	5,111
Proceeds from sale of capital assets	-	2,694	2,694
Total other financing sources (uses)	<u>-</u>	<u>7,805</u>	<u>7,805</u>
Net change in fund balance	223,786	(736,072)	(959,858)
Fund balance, beginning of year	<u>1,518,302</u>	<u>1,518,302</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,742,088</u></u>	<u><u>\$ 782,230</u></u>	<u><u>\$ (959,858)</u></u>

CITY OF LA HABRA
Housing and Community Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 667,034	\$ 894,084	\$ 227,050
Expenditures:			
Current:			
Community development	531,064	541,469	(10,405)
Capital outlay	140,000	354,020	(214,020)
Total expenditures	671,064	895,489	(224,425)
Net change in fund balance	(4,030)	(1,405)	2,625
Fund balance, beginning of year	154,913	154,913	-
Fund balance, end of year	\$ 150,883	\$ 153,508	\$ 2,625

CITY OF LA HABRA
Employment and Training Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 388,491	\$ 368,535	\$ (19,956)
Expenditures:			
Current:			
Employment and training	390,856	369,315	21,541
Net change in fund balance	(2,365)	(780)	1,585
Fund balance, beginning of year	35,762	35,762	-
Fund balance, end of year	\$ 33,397	\$ 34,982	\$ 1,585

CITY OF LA HABRA
Public Safety Augmentation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 200,000	\$ 237,552	\$ 37,552
Use of money and property	6,500	(2,628)	(9,128)
Total revenues	<u>206,500</u>	<u>234,924</u>	<u>28,424</u>
Expenditures:			
Current:			
Public safety	258,120	186,285	71,835
Capital outlay	20,000	-	20,000
Total expenditures	<u>278,120</u>	<u>186,285</u>	<u>91,835</u>
Net change in fund balance	(71,620)	48,639	120,259
Fund balance, beginning of year	<u>585,335</u>	<u>585,335</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 513,715</u></u>	<u><u>\$ 633,974</u></u>	<u><u>\$ 120,259</u></u>

CITY OF LA HABRA
Other Federal Grants Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 66,316	\$ 80,186	\$ 13,870
Total revenues	<u>66,316</u>	<u>80,186</u>	<u>13,870</u>
Expenditures:			
Current:			
Public works	45,640	70,714	(25,074)
Capital outlay	108,376	44,438	63,938
Total expenditures	<u>154,016</u>	<u>115,152</u>	<u>38,864</u>
Excess (deficiency) of revenues over expenditures	<u>(87,700)</u>	<u>(34,966)</u>	<u>52,734</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>34,966</u>	<u>34,966</u>
Net change in fund balance	(87,700)	-	87,700
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (87,700)</u>	<u>\$ -</u>	<u>\$ 87,700</u>

CITY OF LA HABRA
Traffic Safety Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 411,440	\$ 411,440
Charges for services	25,000	23,013	(1,987)
Use of money and property	400	179	(221)
	<u>25,400</u>	<u>434,632</u>	<u>409,232</u>
Expenditures:			
Current:			
Public safety	4,000	21,799	(17,799)
Capital outlay	434,400	393,461	40,939
	<u>438,400</u>	<u>415,260</u>	<u>23,140</u>
Net change in fund balance	(413,000)	19,372	432,372
Fund balance, beginning of year	<u>46,534</u>	<u>46,534</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (366,466)</u></u>	<u><u>\$ 65,906</u></u>	<u><u>\$ 432,372</u></u>

CITY OF LA HABRA
Service Authority for Abandoned Vehicles Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 50,000	\$ 95,864	\$ 45,864
Use of money and property	552	4,159	3,607
Total revenues	<u>50,552</u>	<u>100,023</u>	<u>49,471</u>
Expenditures:			
Current:			
Community development	<u>181,487</u>	<u>144,928</u>	<u>36,559</u>
Net change in fund balance	(130,935)	(44,905)	86,030
Fund balance, beginning of year	<u>545,780</u>	<u>545,780</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 414,845</u></u>	<u><u>\$ 500,875</u></u>	<u><u>\$ 86,030</u></u>

CITY OF LA HABRA
Other Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Debt service:			
Principal	\$ 48,774	\$ 48,774	\$ -
Interest expense	19,863	19,863	-
Total expenditures	<u>68,637</u>	<u>68,637</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(68,637)	(68,637)	-
Other financing sources:			
Transfers in	<u>-</u>	<u>68,637</u>	<u>68,637</u>
Net change in fund balance	(68,637)	-	68,637
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (68,637)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 68,637</u></u>

CITY OF LA HABRA
Other Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 4,180	\$ 4,180
Use of money and property	-	89,044	89,044
Total revenues	-	93,224	93,224
Expenditures:			
Current:			
Community development	412,963	325,112	87,851
Capital outlay	1,248,100	586,172	661,928
Total expenditures	1,661,063	911,284	749,779
Excess (deficiency) of revenues over (under) expenditures	(1,661,063)	(818,060)	843,003
Other financing sources (uses):			
Transfers in	-	3,206,667	3,206,667
Net change in fund balance	(1,661,063)	2,388,607	4,049,670
Fund balance, beginning of year	2,269,585	2,269,585	-
Fund balance, end of year	<u>\$ 608,522</u>	<u>\$ 4,658,192</u>	<u>4,049,670</u>

CITY OF LA HABRA
Low-Moderate Income Housing Assets Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 2,876	\$ 2,876
Total revenues	<u>-</u>	<u>2,876</u>	<u>2,876</u>
Expenditures:			
Current:			
Community development	205,449	202,164	3,285
Capital outlay	<u>-</u>	<u>59,918</u>	<u>(59,918)</u>
Total expenditures	<u>205,449</u>	<u>262,082</u>	<u>(56,633)</u>
Net change in fund balance	(205,449)	(259,206)	(53,757)
Fund balance, beginning of year	<u>1,186,446</u>	<u>1,186,446</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 980,997</u></u>	<u><u>\$ 927,240</u></u>	<u><u>\$ (53,757)</u></u>

NONMAJOR ENTERPRISE FUNDS



CITY OF LA HABRA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2013

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and investments	\$ 4,879,667	\$ 270,723	\$ 1,246,109	\$ 6,396,499
Accounts receivable, net	587,470	3,831	35,484	626,785
Interest receivable	11,718	639	3,280	15,637
Prepaid items	-	-	30,530	30,530
Due from other governments	4,335	72,488	-	76,823
Total current assets	5,483,190	347,681	1,315,403	7,146,274
Noncurrent assets:				
Capital assets, net	410,971	323,333	2,714,221	3,448,525
Total assets	5,894,161	671,014	4,029,624	10,594,799
Liabilities:				
Current Liabilities:				
Accounts payable	234,141	7,443	76,641	318,225
Accrued liabilities	5,886	10,028	98,277	114,191
Deposits payable	-	-	1,000	1,000
Total current liabilities	240,027	17,471	175,918	433,416
Noncurrent Liabilities:				
Advances from other funds	-	-	1,600,000	1,600,000
Pollution remediation liability	2,300,000	-	-	2,300,000
Total noncurrent liabilities	2,300,000	-	1,600,000	3,900,000
Total liabilities	2,540,027	17,471	1,775,918	4,333,416
Net position:				
Net investment in capital assets	410,971	323,333	2,714,221	3,448,525
Restricted	1,363,180	-	-	1,363,180
Unrestricted (deficit)	1,579,983	330,210	(460,515)	1,449,678
Total net position	\$ 3,354,134	\$ 653,543	\$ 2,253,706	\$ 6,261,383

CITY OF LA HABRA
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 3,091,488	\$ 314,951	\$ 2,683,325	\$ 6,089,766
Intergovernmental	36,206	124,733	-	160,939
Total operating revenues	<u>3,127,694</u>	<u>439,684</u>	<u>2,683,325</u>	<u>6,250,703</u>
Operating expenses:				
Contractual services	2,700,434	18,986	423,146	3,142,566
Wages and fringe benefits	139,935	275,355	-	415,290
Equipment and maintenance	54,379	595	56,744	111,718
Materials and supplies	1,758	18,968	-	20,726
Utilities	-	28,537	273,036	301,573
Depreciation	12,748	34,942	50,643	98,333
Administration	139,968	46,360	1,288,485	1,474,813
Total operating expenses	<u>3,049,222</u>	<u>423,743</u>	<u>2,092,054</u>	<u>5,565,019</u>
Operating income (loss)	<u>78,472</u>	<u>15,941</u>	<u>591,271</u>	<u>685,684</u>
Nonoperating revenues (expenses):				
Interest income (expense)	42,848	2,084	12,820	57,752
Gain (loss) on sale of investments	(49,333)	219	(14,139)	(63,253)
Total nonoperating revenues	<u>(6,485)</u>	<u>2,303</u>	<u>(1,319)</u>	<u>(5,501)</u>
Income (loss) before transfers	71,987	18,244	589,952	680,183
Transfers in	-	42,500	-	42,500
Transfers out	(104,844)	-	-	(104,844)
Change in net position	(32,857)	60,744	589,952	617,839
Net position, beginning of year	<u>3,386,991</u>	<u>592,799</u>	<u>1,663,754</u>	<u>5,643,544</u>
Net position, end of year	<u>\$ 3,354,134</u>	<u>\$ 653,543</u>	<u>\$ 2,253,706</u>	<u>\$ 6,261,383</u>

CITY OF LA HABRA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,108,994	\$ 221,199	\$ 2,669,288	\$ 5,999,481
Receipts from interfund services provided	20,000	329,007	-	349,007
Payments to suppliers	(2,739,421)	(37,134)	(1,709,218)	(4,485,773)
Cash paid for internal services provided	(175,735)	(239,464)	(177,078)	(592,277)
Payments to employees	(139,753)	(109,956)	2,743	(246,966)
	<u>74,085</u>	<u>163,652</u>	<u>785,735</u>	<u>1,023,472</u>
Net cash provided by (used in) operating activities				
Cash flows from noncapital financing activities:				
Transfers to other funds	(104,844)	-	-	(104,844)
Transfers from other funds	-	42,500	-	42,500
	<u>(104,844)</u>	<u>42,500</u>	<u>-</u>	<u>(62,344)</u>
Net cash provided by (used in) noncapital financing activities				
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	-	(1,143,257)	(1,143,257)
	<u>-</u>	<u>-</u>	<u>(1,143,257)</u>	<u>(1,143,257)</u>
Net cash (used in) capital and related financing activities				
Cash flows from investing activities:				
(Purchase) sale of short-term investments	(49,333)	219	(14,139)	(63,253)
Interest on investments	47,512	1,664	14,202	63,378
	<u>(1,821)</u>	<u>1,883</u>	<u>63</u>	<u>125</u>
Net cash provided by (used in) investing activities				
Net increase (decrease) in cash and cash equivalents	(32,580)	208,035	(357,459)	(182,004)
Cash and cash equivalents, beginning of year	4,912,247	62,688	1,603,568	6,578,503
Cash and cash equivalents, end of year	<u>\$ 4,879,667</u>	<u>\$ 270,723</u>	<u>\$ 1,246,109</u>	<u>\$ 6,396,499</u>

(Continued)

CITY OF LA HABRA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
For the Year Ended June 30, 2013

	<u>Refuse</u>	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating Income (Loss)	\$ 78,472	\$ 15,941	\$ 591,271	\$ 685,684
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	12,748	34,942	50,643	98,333
Change in assets and liabilities:				
(Increase) decrease in receivables	17,505	70,990	(14,040)	74,455
(Increase) decrease in from other governments	(4,335)	39,533	-	35,198
(Increase) decrease in prepaid items	-	-	(8,195)	(8,195)
Increase (decrease) in accrued liabilities and accounts payable	(18,434)	2,246	166,056	149,868
Increase (decrease) in unearned revenue	(11,871)	-	-	(11,871)
Total adjustments	(4,387)	147,711	194,464	337,788
Net cash provided by (used in) operating activities	<u>\$ 74,085</u>	<u>\$ 163,652</u>	<u>\$ 785,735</u>	<u>\$ 1,023,472</u>

INTERNAL SERVICE FUNDS





CITY OF LA HABRA
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
Assets:			
Current assets:			
Cash and investments	\$ 202,584	\$ 5,304,657	\$ 859,057
Accounts receivable, net	97	2,400	15
Interest receivable	81	12,604	1,362
Due from other governments	12,979	-	-
Inventory	44,739	-	-
Total current assets	<u>260,480</u>	<u>5,319,661</u>	<u>860,434</u>
Noncurrent assets:			
Cash and investments with fiscal agents	-	-	-
Advances to other funds	-	-	-
Loans to Successor Agency	-	-	-
Deferred charges	-	-	-
Capital assets, net of accumulated depreciation	-	-	144,955
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>144,955</u>
Total assets	<u>260,480</u>	<u>5,319,661</u>	<u>1,005,389</u>
Liabilities:			
Current liabilities:			
Accounts payable	16,327	19,772	74,864
Accrued liabilities	13,853	8,201	26,021
Accrued interest	-	-	-
Compensated absences	-	-	-
Certificates of participation, current	-	-	-
Water revenue bonds, current	-	-	-
Total current liabilities	<u>30,180</u>	<u>27,973</u>	<u>100,885</u>
Noncurrent liabilities:			
Claims payable	-	2,546,066	-
Certificates of participation	-	-	-
Water revenue bonds	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>2,546,066</u>	<u>-</u>
Total liabilities	<u>30,180</u>	<u>2,574,039</u>	<u>100,885</u>
Net position:			
Net investment in capital assets	-	-	144,955
Unrestricted	230,300	2,745,622	759,549
Total net position	<u>\$ 230,300</u>	<u>\$ 2,745,622</u>	<u>\$ 904,504</u>

Civic Improvement Authority	Fleet Replacement	Employee Benefits	Other Post Employment Benefit set-aside	Totals
\$ 355,491	\$ 1,025,293	\$ 1,505,596	\$ 402,852	\$ 9,655,530
-	-	-	-	2,512
934	2,797	1,892	499	20,169
-	-	-	-	12,979
-	-	-	-	44,739
<u>356,425</u>	<u>1,028,090</u>	<u>1,507,488</u>	<u>403,351</u>	<u>9,735,929</u>
451,723	-	-	-	451,723
9,765,000	-	-	-	9,765,000
591,214	-	-	-	591,214
572,358	-	-	-	572,358
-	1,936,520	-	-	2,081,475
<u>11,380,295</u>	<u>1,936,520</u>	<u>-</u>	<u>-</u>	<u>13,461,770</u>
<u>11,736,720</u>	<u>2,964,610</u>	<u>1,507,488</u>	<u>403,351</u>	<u>23,197,699</u>
-	120,110	-	-	231,073
1	2,067	-	-	50,143
109,363	-	-	-	109,363
-	-	1,282,376	-	1,282,376
290,000	-	-	-	290,000
180,000	-	-	-	180,000
<u>579,364</u>	<u>122,177</u>	<u>1,282,376</u>	<u>-</u>	<u>2,142,955</u>
-	-	-	-	2,546,066
3,379,271	-	-	-	3,379,271
5,895,000	-	-	-	5,895,000
<u>9,274,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,820,337</u>
<u>9,853,635</u>	<u>122,177</u>	<u>1,282,376</u>	<u>-</u>	<u>13,963,292</u>
-	1,936,520	-	-	2,081,475
1,883,085	905,913	225,112	403,351	7,152,932
<u>\$ 1,883,085</u>	<u>\$ 2,842,433</u>	<u>\$ 225,112</u>	<u>\$ 403,351</u>	<u>\$ 9,234,407</u>

CITY OF LA HABRA
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
Operating revenues:			
Charges for services	\$ 1,044,681	\$ 1,981,359	\$ 1,303,705
Operating expenses:			
Contractual services	104,656	165,700	67,688
Wages and fringe benefits	337,511	207,071	649,388
Benefits and claims	-	586,829	-
Equipment and maintenance	20,768	-	496,234
Materials and supplies	603,481	16	8,457
Utilities	1,076	-	186,728
Depreciation	-	-	52,076
Amortization	-	-	-
Administration	20,736	675,156	19,969
Total operating expenses	<u>1,088,228</u>	<u>1,634,772</u>	<u>1,480,540</u>
Operating income (loss)	<u>(43,547)</u>	<u>346,587</u>	<u>(176,835)</u>
Nonoperating revenues (expenses):			
Interest income	-	46,106	5,312
Other nonoperating revenues	-	-	131
Interest (expense)	-	-	-
Gain (loss) on sale of asset	-	-	-
Gain (loss) on sale of investment	(279)	(46,958)	(5,487)
Total nonoperating revenues	<u>(279)</u>	<u>(852)</u>	<u>(44)</u>
Income (loss) before transfers	(43,826)	345,735	(176,879)
Transfers in	227,000	-	250,000
Transfers out	-	-	-
Changes in net position	<u>183,174</u>	<u>345,735</u>	<u>73,121</u>
Net position, beginning of year	<u>47,126</u>	<u>2,399,887</u>	<u>831,383</u>
Net position, end of year	<u>\$ 230,300</u>	<u>\$ 2,745,622</u>	<u>\$ 904,504</u>

Civic Improvement Authority	Fleet Replacement	Employee Benefits	Other Post Employment Benefit set-aside	Totals
\$ -	\$ 170,988	\$ -	\$ -	\$ 4,500,733
1,749	-	-	-	339,793
-	53,048	529,809	-	1,776,827
-	-	-	-	586,829
-	-	-	-	517,002
-	-	-	-	611,954
-	-	-	-	187,804
-	339,414	-	-	391,490
51,297	-	-	-	51,297
60	-	-	-	715,921
<u>53,106</u>	<u>392,462</u>	<u>529,809</u>	<u>-</u>	<u>5,178,917</u>
<u>(53,106)</u>	<u>(221,474)</u>	<u>(529,809)</u>	<u>-</u>	<u>(678,184)</u>
218,479	9,973	8,122	2,445	290,437
-	-	-	-	131
(480,516)	-	-	-	(480,516)
-	2,750	-	-	2,750
<u>(2,473)</u>	<u>(11,909)</u>	<u>(9,067)</u>	<u>906</u>	<u>(75,267)</u>
<u>(264,510)</u>	<u>814</u>	<u>(945)</u>	<u>3,351</u>	<u>(262,465)</u>
(317,616)	(220,660)	(530,754)	3,351	(940,649)
291,125	51,592	750,000	200,000	1,769,717
-	(127,000)	-	-	(127,000)
<u>(26,491)</u>	<u>(296,068)</u>	<u>219,246</u>	<u>203,351</u>	<u>702,068</u>
<u>1,909,576</u>	<u>3,138,501</u>	<u>5,866</u>	<u>200,000</u>	<u>8,532,339</u>
<u>\$ 1,883,085</u>	<u>\$ 2,842,433</u>	<u>\$ 225,112</u>	<u>\$ 403,351</u>	<u>\$ 9,234,407</u>

CITY OF LA HABRA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 57,764	\$ -	\$ -
Receipts from interfund services provided	984,712	1,986,131	1,303,705
Payments to suppliers	(771,167)	(1,527,788)	(739,972)
Cash paid for interfund services provided	(5,256)	(5,376)	(6,036)
Payments to employees	(335,198)	(206,868)	(646,850)
Net cash provided by (used in) operating activities	<u>(69,145)</u>	<u>246,099</u>	<u>(89,153)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	-	-
Transfers from other funds	227,000	-	250,000
Receipt of advances to other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>227,000</u>	<u>-</u>	<u>250,000</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	-	(48,870)
Proceeds from sale of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(48,870)</u>
Cash flows from investing activities:			
(Purchase) sale of investments	(332)	(46,958)	(5,487)
Interest on investments	-	49,706	5,928
Net cash provided by (used in) investing activities	<u>(332)</u>	<u>2,748</u>	<u>441</u>
Net increase (decrease) in cash and cash equivalents	157,523	248,847	112,418
Cash and cash equivalents, beginning of year	<u>45,061</u>	<u>5,055,810</u>	<u>746,639</u>
Cash and cash equivalents, end of year	<u>\$ 202,584</u>	<u>\$ 5,304,657</u>	<u>\$ 859,057</u>

Civic Improvement Authority	Fleet Replacement	Employee Benefits	Other Post Employment Benefit set-aside	Totals
\$ -	\$ -	\$ -	\$ -	\$ 57,764
-	170,988	-	-	4,445,536
-	(120,110)	-	-	(3,159,037)
-	(53,070)	-	-	(69,738)
<u>(1,809)</u>	<u>-</u>	<u>(449,392)</u>	<u>-</u>	<u>(1,640,117)</u>
<u>(1,809)</u>	<u>238,027</u>	<u>(449,392)</u>	<u>-</u>	<u>(125,373)</u>
-	(127,000)	-	-	(127,000)
291,125	51,592	750,000	200,000	1,769,717
<u>455,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,000</u>
<u>746,125</u>	<u>(75,408)</u>	<u>750,000</u>	<u>200,000</u>	<u>2,097,717</u>
-	(371,607)	-	-	(420,477)
-	2,750	-	-	2,750
(455,000)	-	-	-	(455,000)
<u>(483,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(483,790)</u>
<u>(938,790)</u>	<u>(368,857)</u>	<u>-</u>	<u>-</u>	<u>(1,356,517)</u>
(2,473)	(11,909)	(9,067)	906	(75,320)
<u>218,479</u>	<u>11,118</u>	<u>9,130</u>	<u>1,946</u>	<u>296,307</u>
<u>216,006</u>	<u>(791)</u>	<u>63</u>	<u>2,852</u>	<u>220,987</u>
21,532	(207,029)	300,671	202,852	836,814
<u>785,682</u>	<u>1,232,322</u>	<u>1,204,925</u>	<u>200,000</u>	<u>9,270,439</u>
<u>\$ 807,214</u>	<u>\$ 1,025,293</u>	<u>\$ 1,505,596</u>	<u>\$ 402,852</u>	<u>\$ 10,107,253</u>

(Continued)

CITY OF LA HABRA
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2013

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Technology</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating Income (Loss)	\$ (43,547)	\$ 346,587	\$ (176,835)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	-	-	52,076
Amortization	-	-	-
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(97)	4,772	30
(Increase) decrease in due from other governments	(2,205)	-	-
(Increase) decrease in inventory	(19,526)	-	-
(Increase) decrease in prepaid items	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	<u>(3,770)</u>	<u>(105,260)</u>	<u>35,576</u>
Total adjustments	<u>(25,598)</u>	<u>(100,488)</u>	<u>87,682</u>
Net cash provided by (used in) operating activities	<u>\$ (69,145)</u>	<u>\$ 246,099</u>	<u>\$ (89,153)</u>

Civic Improvement Authority	Fleet Replacement	Employee Benefits	Other Post Employment Benefit set-aside	Totals
\$ (53,106)	\$ (221,474)	\$ (529,809)	\$ -	\$ (678,184)
-	339,414	-	-	391,490
51,297	-	-	-	51,297
-	-	-	-	4,705
-	-	-	-	(2,205)
-	-	-	-	(19,526)
-	257,952	-	-	257,952
-	(137,865)	80,417	-	(130,902)
51,297	459,501	80,417	-	552,811
\$ (1,809)	\$ 238,027	\$ (449,392)	\$ -	\$ (125,373)



FIDUCIARY FUND



CITY OF LA HABRA
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets:				
Cash and investments	\$ 10,477,075	\$ 764,185	539,504	\$ 10,701,756
Interest receivable	33,826	25,494	33,826	25,494
Total assets	<u>\$ 10,510,901</u>	<u>\$ 789,679</u>	<u>\$ 573,330</u>	<u>\$ 10,727,250</u>
Liabilities:				
Accounts payable	\$ 14,803	\$ 437,935	387,033	\$ 65,705
Accrued liabilities	13,011	278,509	278,309	13,211
Deposits	10,483,087	448,967	283,720	10,648,334
Total liabilities	<u>\$ 10,510,901</u>	<u>\$ 1,165,411</u>	<u>\$ 949,062</u>	<u>\$ 10,727,250</u>

CITY OF LA HABRA
Measure T Transaction and Use Tax: Use of Funds
Year Ended June 30, 2013

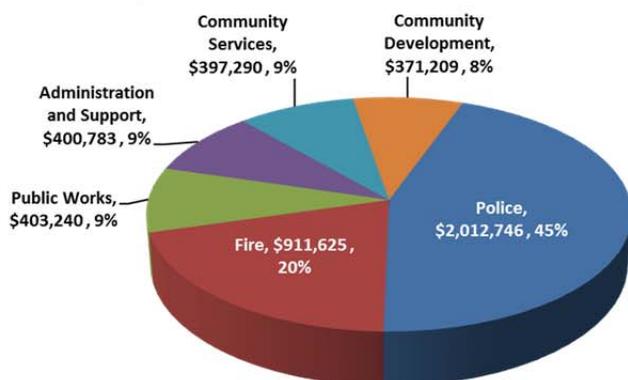
In November 2008, the voters of La Habra approved Measure T which established a ½ cent local transaction and use tax. The measure was approved as an undesignated “general” tax that would be used to help support the activities and operations of the City’s General Fund. As this is a general tax, it legally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

One method to determine how this new revenue source has impacted General Fund operations is to compare the allocation of these revenues by a proportional share of General Fund expenditures by department. The following table details this breakdown based on the Measure T amended revenue budget for FY 12/13 and the proportional allocation of the General Fund amended expenditure budget by department.

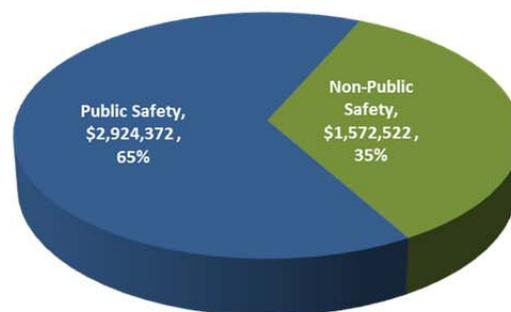
Measure T Allocation Analysis by General Fund Department

Department	FY 12/13 GF Amended Budget Expenditures	% of Total GF Budgeted Expenditures	Proportional Allocation of Measure T Revenues
Police	\$15,593,416	44.8%	\$2,012,747
Fire	\$7,062,665	20.3%	\$911,625
Public Works	\$3,124,036	9.0%	\$403,240
Administration and Support	\$3,105,002	8.9%	\$400,783
Community Services	\$3,077,936	8.8%	\$397,290
Community Development	\$2,875,880	8.3%	\$371,209
Total	\$34,838,935		\$4,496,894

Proportional Allocation of Measure T Revenues



Proportional Allocation of Measure T Revenues



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

STATISTICAL SECTION



CITY OF LA HABRA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

STATISTICAL SECTION

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

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	<i>Page(s)</i>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	126-135
Revenue Capacity	
<i>These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax.</i>	139-143
Debt Capacity	
<i>These schedules contain present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	146-155
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	158-159
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	162-168

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



STATISTICAL SECTION

Financial Trends

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 38,141,590	\$ 51,744,947	\$ 60,254,071	\$ 61,866,707
Restricted	2,135,692	2,125,116	2,425,184	2,962,479
Unrestricted	18,324,199	11,668,265	8,769,044	14,541,105
Total governmental activities net position	<u>\$ 58,601,481</u>	<u>\$ 65,538,328</u>	<u>\$ 71,448,299</u>	<u>\$ 79,370,291</u>
Business-type activities				
Net investment in capital assets	\$ 9,357,868	\$ 13,069,786	\$ 14,083,243	\$ 14,387,460
Restricted	-	-	-	-
Unrestricted	13,299,092	10,633,039	16,362,240	18,275,101
Total business-type activities net position	<u>\$ 22,656,960</u>	<u>\$ 23,702,825</u>	<u>\$ 30,445,483</u>	<u>\$ 32,662,561</u>
Primary Government				
Net investment in capital assets	\$ 47,499,458	\$ 64,814,733	\$ 74,337,314	\$ 76,254,167
Restricted	2,135,692	2,125,116	2,425,184	2,962,479
Unrestricted	31,623,291	22,301,304	25,131,284	32,816,206
Total primary government net position	<u>\$ 81,258,441</u>	<u>\$ 89,241,153</u>	<u>\$ 101,893,782</u>	<u>\$ 112,032,852</u>

Source: Finance Office, City of La Habra

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 62,720,405	\$ 69,852,168	\$ 72,267,324	\$ 74,411,098	\$ 74,666,668	\$ 76,564,962
3,060,362	443,262	1,100,726	10,086,784	10,898,270	9,844,805
22,800,535	18,146,165	18,770,240	14,909,849	25,581,464	27,678,256
<u>\$ 88,581,302</u>	<u>\$ 88,441,595</u>	<u>\$ 92,138,290</u>	<u>\$ 99,407,731</u>	<u>\$ 111,146,402</u>	<u>\$ 114,088,023</u>
\$ 6,818,385	\$ 11,978,153	\$ 16,282,084	\$ 15,332,126	\$ 16,373,632	\$ 20,308,645
-	1,630,052	1,630,052	1,630,052	1,432,462	1,363,180
28,336,251	20,649,253	17,457,587	20,091,568	20,743,223	19,681,735
<u>\$ 35,154,636</u>	<u>\$ 34,257,458</u>	<u>\$ 35,369,723</u>	<u>\$ 37,053,746</u>	<u>\$ 38,549,317</u>	<u>\$ 41,353,560</u>
\$ 69,538,790	\$ 81,830,321	\$ 88,549,408	\$ 89,743,224	\$ 91,040,300	\$ 96,873,607
3,060,362	2,073,314	2,730,778	11,716,836	12,330,732	11,207,985
51,136,786	38,795,418	36,227,827	35,001,417	46,324,687	47,359,991
<u>\$ 123,735,938</u>	<u>\$ 122,699,053</u>	<u>\$ 127,508,013</u>	<u>\$ 136,461,477</u>	<u>\$ 149,695,719</u>	<u>\$ 155,441,583</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 4,908,401	\$ 3,740,025	\$ 2,466,028	\$ 1,727,569
Intergovernmental	405,876	392,850	351,407	38,142
Public safety	17,673,769	19,176,709	20,751,487	20,806,295
Public works	5,512,565	5,525,165	5,829,033	7,399,852
Employment and training	651,364	411,959	441,946	787,929
Community services	6,949,893	7,149,700	7,609,897	7,623,969
Community development	2,813,028	3,401,359	3,717,217	3,886,883
Interest on long-term debt	1,229,418	975,885	824,152	812,194
Total governmental activities expenses	<u>40,144,314</u>	<u>40,773,652</u>	<u>41,991,167</u>	<u>43,082,833</u>
Business-type activities:				
Water	7,242,103	7,198,574	7,591,959	8,557,829
Sewer	888,690	994,576	912,741	930,137
Housing Authority	1,676,726	1,701,542	1,681,163	1,988,194
Other business activities	4,988,149	4,764,065	5,101,290	5,392,422
Total business-type activities expenses	<u>14,795,668</u>	<u>14,658,757</u>	<u>15,287,153</u>	<u>16,868,582</u>
Total primary government expenses	<u>\$ 54,939,982</u>	<u>\$ 55,432,409</u>	<u>\$ 57,278,320</u>	<u>\$ 59,951,415</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ 1,204	\$ 3,668	\$ 1,940	\$ 2,032
Public safety	3,022,676	2,674,842	3,272,096	2,790,739
Community services	1,132,402	1,086,984	1,739,998	930,670
Community development	1,052,934	960,996	1,268,886	1,221,241
Operating grants and contributions	6,927,062	9,667,385	6,155,825	7,403,668
Capital grants and contributions	3,581,386	2,617,891	2,841,673	3,010,784
Total governmental activities program revenues	<u>15,717,664</u>	<u>17,011,766</u>	<u>15,280,418</u>	<u>15,359,134</u>
Business-type activities:				
Charges for services:				
Water	7,561,979	7,517,970	8,625,652	9,753,270
Sewer	700,340	914,135	791,592	878,314
Housing authority	1,857,585	1,957,341	1,951,143	1,915,376
Other business -type activities	4,613,838	4,893,092	10,094,887	5,462,799
Total business-type activities program revenues	<u>14,733,742</u>	<u>15,282,538</u>	<u>21,463,274</u>	<u>18,009,759</u>
Total primary government program revenues	<u>\$ 30,451,406</u>	<u>\$ 32,294,304</u>	<u>\$ 36,743,692</u>	<u>\$ 33,368,893</u>
Net (expense)/revenue:				
Governmental activities	\$ (24,426,650)	\$ (23,761,886)	\$ (26,710,749)	\$ (27,723,699)
Business-type activities	(61,926)	623,781	6,176,121	1,141,177
Total primary government net expense	<u>\$ (24,488,576)</u>	<u>\$ (23,138,105)</u>	<u>\$ (20,534,628)</u>	<u>\$ (26,582,522)</u>

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	2,450,872	\$	4,567,895	\$	2,799,293	\$	3,391,804	\$	3,686,663	\$	3,461,904
	14,426		-		-		-		-		-
	21,264,160		22,940,011		22,433,260		22,518,416		22,890,241		23,605,899
	7,813,863		8,240,683		12,543,772		13,295,177		7,129,157		7,172,065
	960,798		824,748		1,335,844		350,183		409,814		369,315
	8,024,546		8,362,899		8,412,550		8,658,108		8,047,441		8,796,440
	5,595,313		5,867,904		5,516,373		5,675,859		4,632,329		4,034,985
	1,250,321		1,087,697		1,265,049		1,663,267		923,269		266,069
	<u>47,374,299</u>		<u>51,891,837</u>		<u>54,306,141</u>		<u>55,552,814</u>		<u>47,718,914</u>		<u>47,706,677</u>
	9,091,989		9,616,279		10,274,385		10,171,235		10,111,046		10,699,804
	1,237,713		1,321,849		1,523,707		1,591,981		1,664,713		2,012,774
	961,673		1,715,950		1,671,488		2,093,743		3,035,323		3,049,222
	5,874,526		6,131,357		6,274,848		5,315,794		4,189,973		4,201,456
	<u>17,165,901</u>		<u>18,785,435</u>		<u>19,744,428</u>		<u>19,172,753</u>		<u>19,001,055</u>		<u>19,963,256</u>
\$	<u>64,540,200</u>	\$	<u>70,677,272</u>	\$	<u>74,050,569</u>	\$	<u>74,725,567</u>	\$	<u>66,719,969</u>	\$	<u>67,669,933</u>
\$	310	\$	7,183	\$	428,161	\$	102,225	\$	100,150	\$	100,360
	3,017,854		2,801,704		3,359,502		3,234,734		2,998,253		3,071,009
	1,217,844		1,192,031		1,445,127		1,144,869		823,340		1,078,848
	1,269,778		1,006,964		929,396		1,057,923		869,115		1,335,841
	7,708,528		7,944,392		10,219,344		9,645,109		9,278,565		9,099,096
	8,343,602		6,831,889		9,314,080		13,545,193		3,578,616		3,163,745
	<u>21,557,916</u>		<u>19,784,163</u>		<u>25,695,610</u>		<u>28,730,053</u>		<u>17,648,039</u>		<u>17,848,899</u>
	10,207,199		9,889,342		10,759,475		11,423,986		11,043,029		13,045,637
	1,351,929		1,124,764		1,346,611		1,450,422		1,509,749		1,541,770
	1,984,399		2,097,380		2,129,124		1,247,111		1,582,853		1,584,262
	5,958,707		6,040,726		6,071,837		6,231,787		6,278,645		6,250,703
	<u>19,502,234</u>		<u>19,152,212</u>		<u>20,307,047</u>		<u>20,353,306</u>		<u>20,414,276</u>		<u>22,422,372</u>
\$	<u>41,060,150</u>	\$	<u>38,936,375</u>	\$	<u>46,002,657</u>	\$	<u>49,083,359</u>	\$	<u>38,062,315</u>	\$	<u>40,271,271</u>
\$	(25,816,383)	\$	(32,107,674)	\$	(28,610,531)	\$	(26,822,761)	\$	(30,070,875)	\$	(29,857,778)
	2,336,333		366,777		562,619		1,180,553		1,413,221		2,459,116
\$	<u>(23,480,050)</u>	\$	<u>(31,740,897)</u>	\$	<u>(28,047,912)</u>	\$	<u>(25,642,208)</u>	\$	<u>(28,657,654)</u>	\$	<u>(27,398,662)</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Taxes:				
Property taxes	\$ 7,566,606	\$ 11,634,029	\$ 13,768,880	\$ 14,975,673
Sales and use taxes	8,098,753	8,836,139	9,208,476	9,853,179
Transaction and use taxes	-	-	-	-
Franchise tax	1,704,822	1,689,369	1,807,537	1,996,481
Utility users tax	4,712,780	4,765,367	5,128,226	5,293,525
Other taxes	283,436	599,921	399,436	398,603
Grants and contributions not restricted to specific programs	2,800,517	1,696,647	705,613	724,228
Income from property and investments	172,725	757,030	801,623	1,601,295
Other general revenues	1,130,855	796,231	885,929	717,424
Gain on sale of property	-	-	-	-
Extraordinary gain	-	-	-	-
Transfers	(85,000)	(76,000)	(85,000)	85,283
Total governmental activities	<u>26,385,494</u>	<u>30,698,733</u>	<u>32,620,720</u>	<u>35,645,691</u>
Business-type activities:				
Income from property and investments	372,693	346,084	481,537	1,161,184
Gain on sale of capital assets	-	-	-	-
Gain on sale of investment	-	-	-	-
Other general revenues	-	-	-	-
Transfers	85,000	76,000	85,000	(85,283)
Total business-type activities	<u>457,693</u>	<u>422,084</u>	<u>566,537</u>	<u>1,075,901</u>
Total primary government	<u>\$ 26,843,187</u>	<u>\$ 31,120,817</u>	<u>\$ 33,187,257</u>	<u>\$ 36,721,592</u>
Change in Net Position				
Governmental activities	\$ 1,958,844	\$ 6,936,847	\$ 5,909,971	\$ 7,921,992
Business-type activities	395,767	1,045,865	6,742,658	2,217,078
Total primary government	<u>\$ 2,354,611</u>	<u>\$ 7,982,712</u>	<u>\$ 12,652,629</u>	<u>\$ 10,139,070</u>

Source: Finance Office, City of La Habra

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	16,127,594	\$	16,153,525	\$	15,575,910	\$	15,512,868	\$	14,175,467	\$	13,333,682
	10,298,735		8,900,156		7,669,656		8,116,354		8,490,350		9,033,667
	-		888,150		3,572,975		3,882,815		4,215,209		4,430,751
	1,377,380		1,451,228		1,492,703		1,534,468		1,561,518		1,580,176
	2,854,515		-		-		-		-		-
	-		-		-		-		-		-
	619,065		492,053		453,076		580,840		316,262		325,718
	3,473,466		2,808,384		2,962,495		3,280,649		3,175,312		2,790,519
	309,139		795,111		577,174		1,169,235		1,123,908		1,253,294
	-		499,360		-		-		-		-
	-		-		-		-		8,194,111		-
	(32,500)		(20,000)		3,237		14,973		557,409		51,592
	<u>35,027,394</u>		<u>31,967,967</u>		<u>32,307,226</u>		<u>34,092,202</u>		<u>41,809,546</u>		<u>32,799,399</u>
	123,242		1,016,045		552,883		386,167		273,456		30,416
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		132,276		366,303		366,303
	<u>32,500</u>		<u>20,000</u>		<u>(3,237)</u>		<u>(14,973)</u>		<u>(557,409)</u>		<u>(51,592)</u>
	<u>155,742</u>		<u>1,036,045</u>		<u>549,646</u>		<u>503,470</u>		<u>82,350</u>		<u>345,127</u>
\$	<u>35,183,136</u>	\$	<u>33,004,012</u>	\$	<u>32,856,872</u>	\$	<u>34,595,672</u>	\$	<u>41,891,896</u>	\$	<u>33,144,526</u>
\$	9,211,011	\$	(139,707)	\$	3,696,695	\$	7,269,441	\$	11,738,671	\$	2,941,621
	2,492,075		1,402,822		1,112,265		1,684,023		1,495,571		2,804,243
\$	<u>11,703,086</u>	\$	<u>1,263,115</u>	\$	<u>4,808,960</u>	\$	<u>8,953,464</u>	\$	<u>13,234,242</u>	\$	<u>5,745,864</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General fund				
Reserved	\$ 2,027,017	\$ 2,518,385	\$ 2,984,541	\$ 3,473,165
Unreserved	6,816,442	7,717,762	7,925,672	8,080,218
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 8,843,459</u>	<u>\$ 10,236,147</u>	<u>\$ 10,910,213</u>	<u>\$ 11,553,383</u>
All other governmental funds				
Reserved	\$ 5,320,954	\$ 3,811,387	\$ 6,530,768	\$ 6,387,594
Unreserved undesignated, reported in:	-	-	-	-
Special revenue funds	2,078,084	728,328	771,473	157,435
Debt service funds	(207,873)	(178,299)	-	-
Capital projects funds	7,818,828	3,159,216	(4,969,337)	57,620
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 15,009,993</u>	<u>\$ 7,520,632</u>	<u>\$ 2,332,904</u>	<u>\$ 6,602,649</u>

Source: Finance Office, City of La Habra

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

		Fiscal Year									
		2008	2009	2010	2011 ⁽¹⁾	2012	2013				
\$	11,007,923	\$	10,105,173	\$	9,321,926	\$	-	\$	-	\$	-
	2,882,494		3,067,881		3,792,796		-		-		-
	-		-		-		9,270,571		9,191,664		8,716,824
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		4,604,127		5,308,531		5,732,904
\$	13,890,417	\$	13,173,054	\$	13,114,722	\$	13,874,698	\$	14,500,195	\$	14,449,728
\$	7,105,221	\$	11,841,774	\$	7,105,637	\$	-	\$	-	\$	-
	-		-		-		-		-		-
	(5,811,745)		(10,520,112)		(9,312,632)		-		-		-
	-		-		-		-		-		-
	8,490,640		3,272,567		2,353,870		-		-		-
	-		-		-		619,271		5,454		-
	-		-		-		15,814,036		10,935,093		9,768,600
	-		-		-		-		2,269,585		4,658,192.00
	-		-		-		(11,906,575)		-		-
\$	9,784,116	\$	4,594,229	\$	146,875	\$	4,526,732	\$	13,210,132	\$	14,426,792

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Property taxes and special assessments	\$ 7,850,042	\$ 11,634,029	\$ 13,768,879	\$ 14,975,672
Sales and use tax	8,222,600	8,580,008	9,208,476	9,853,179
Utility users tax	4,712,780	4,765,367	5,128,227	5,293,525
Franchise tax	-	-	-	-
Transaction and use tax	-	-	-	-
Intergovernmental	13,172,100	13,939,559	10,474,304	10,872,124
Licenses and permits	2,659,088	2,609,181	3,003,519	3,005,752
Charges for services	4,072,499	4,111,510	4,736,754	4,217,788
Fines, forfeitures and penalties	557,614	624,665	711,923	827,929
Use of money and property	875,324	1,201,020	886,846	1,325,055
Total revenue	<u>42,122,047</u>	<u>47,465,339</u>	<u>47,918,928</u>	<u>50,371,024</u>
Expenditures				
General government	4,019,240	3,794,454	3,190,161	3,284,442
Intergovernmental	405,876	392,850	351,407	38,142
Public safety	17,596,969	19,008,603	20,189,955	20,508,001
Public works	4,563,727	4,348,452	4,883,604	5,164,358
Employment and training	651,364	411,959	441,946	787,929
Community services	6,826,434	7,006,481	7,326,891	7,341,149
Community development	2,805,036	3,363,698	3,700,056	3,895,625
Intergovernmental - SERAF payment	-	-	-	-
Capital outlay	6,577,885	15,079,158	11,942,906	2,931,143
Debt service:				
Principal	283,966	568,967	265,000	276,699
Interest expense	1,215,411	929,510	877,374	595,620
Total expenditures	<u>44,945,908</u>	<u>54,904,132</u>	<u>53,169,300</u>	<u>44,823,108</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,823,861)</u>	<u>(7,438,793)</u>	<u>(5,250,372)</u>	<u>5,547,916</u>
Other financing sources (uses)				
Issuance of debt	-	-	-	-
Proceeds from note payable	705,948	1,608,437	-	-
Proceeds from sale of property	-	-	-	-
Transfers in	1,706,004	1,817,542	4,451,401	5,780,952
Transfers out	(1,894,615)	(2,083,859)	(3,714,691)	(6,415,953)
Total other financing sources (uses)	<u>517,337</u>	<u>1,342,120</u>	<u>736,710</u>	<u>(635,001)</u>
Extraordinary gain (loss)	-	-	-	-
Net change in fund balances	<u>\$ (2,306,524)</u>	<u>\$ (6,096,673)</u>	<u>\$ (4,513,662)</u>	<u>\$ 4,912,915</u>
Debt service as a percentage of noncapital expenditures	4.07%	3.91%	2.85%	2.13%

Source: Finance Office, City of La Habra

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	16,127,594	\$	16,153,525	\$	15,575,909	\$	15,512,868	\$	14,175,467	\$	13,333,682
	10,298,735		8,900,156		7,599,507		8,100,193		8,470,140		9,095,047
	2,854,516		-		-		-		-		-
	-		-		-		1,539,147		1,560,043		1,581,719
	-		888,150		3,321,233		4,009,945		4,217,599		4,496,894
	16,337,771		15,173,403		20,044,668		24,638,521		13,231,750		12,519,619
	2,533,955		2,289,291		2,377,893		831,524		983,459		1,328,317
	4,320,099		4,017,259		4,173,764		4,750,030		4,097,698		4,783,686
	922,284		1,019,890		1,079,904		933,279		818,988		721,905
	2,806,572		2,751,588		2,519,807		3,781,727		2,336,069		2,472,141
	56,201,526		51,193,262		56,692,685		64,097,234		49,891,213		50,333,010
	3,776,287		3,054,085		2,669,815		2,637,466		2,670,225		2,768,190
	14,426		2,949		-		-		-		-
	20,934,105		22,606,775		22,085,922		22,124,819		22,681,590		23,221,242
	5,523,703		5,762,012		9,892,445		10,442,627		3,922,907		4,077,979
	960,798		824,748		1,335,844		350,183		409,814		369,315
	7,731,920		8,064,550		8,124,301		8,362,752		7,687,354		8,417,176
	5,570,152		5,847,794		4,606,713		5,471,205		4,608,275		4,008,453
	-		-		892,557		183,762		-		-
	3,805,470		10,281,332		8,309,750		6,176,601		2,717,895		4,710,527
	404,466		430,552		452,158		608,560		703,163		216,011
	1,029,198		891,714		1,082,957		1,456,522		858,818		80,618
	49,750,525		57,766,511		59,452,462		57,814,497		46,260,041		47,869,511
	6,451,001		(6,573,249)		(2,759,777)		6,282,737		3,631,172		2,463,499
	-		-		-		1,450,000		-		-
	-		-		-		-		-		-
	-		790,000		-		-		-		2,694
	1,900,351		2,331,551		3,813,715		6,029,430		3,499,171		3,315,381
	(2,832,851)		(2,455,552)		(3,876,746)		(7,104,090)		(4,111,485)		(4,615,381)
	(932,500)		665,999		(63,031)		375,340		(612,314)		(1,297,306)
	-		-		-		-		6,290,039		-
\$	5,518,501	\$	(5,907,250)	\$	(2,822,808)	\$	6,658,077	\$	9,308,897	\$	1,166,193
	3.22%		2.86%		3.09%		4.17%		3.72%		0.70%



STATISTICAL SECTION
Revenue Capacity



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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property (1)	Total Taxable Assessed Value (2)	Total Direct Tax Rate
2004	\$ 2,497,718,042	\$ 439,806,996	\$ 208,390,091	\$ 202,651,878	\$3,348,567,007	0.20573%
2005	2,697,043,410	470,826,383	219,273,760	212,114,339	3,599,257,892	0.20811%
2006	2,973,108,220	536,382,942	223,084,427	229,773,922	3,962,349,511	0.21467%
2007	3,350,470,647	552,151,340	241,253,193	261,169,322	4,405,044,502	0.21348%
2008	3,665,098,412	578,024,306	276,420,264	252,230,096	4,771,773,078	0.21732%
2009	3,700,917,522	607,254,122	299,147,783	266,515,101	4,873,834,528	0.21826%
2010	3,470,814,380	676,973,961	344,242,790	215,013,274	4,707,044,405	0.22193%
2011	3,513,333,660	713,436,330	308,220,069	171,182,915	4,706,172,974	0.22228%
2012	3,582,370,115	715,788,296	311,503,414	182,755,433	4,792,417,258	0.22158%
2013	3,641,858,952	732,735,818	321,514,482	161,568,293	4,857,677,545	0.21919%

- (1) Other property includes recreational, institutional, vacant and miscellaneous property.
(2) Tax-exempt property is excluded from the total taxable assessed value.

NOTE.

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

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City Direct Rates:				
City basic rate	1.0000	1.0000	1.0000	1.0000
Total City Direct Rate	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Overlapping Rates:				
School System	0.05671	0.05099	0.05157	0.04736
Metropolitan Water District	<u>0.00610</u>	<u>0.00580</u>	<u>0.00520</u>	<u>0.00470</u>
Total Direct Rate	<u><u>1.06281</u></u>	<u><u>1.05679</u></u>	<u><u>1.05677</u></u>	<u><u>1.05206</u></u>

Source: Orange County Assessor's Office

Fiscal Year					
2008	2009	2010	2011	2012	2013
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.04764	0.04860	0.05359	0.05647	0.05362	0.06125
0.00450	0.00430	0.00430	0.00370	0.00370	0.00350
<u>1.05214</u>	<u>1.05290</u>	<u>1.05789</u>	<u>1.06017</u>	<u>1.05732</u>	<u>1.06475</u>

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

Taxpayer	2013		2004	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
CVS Pharmacy Inc	100,394,625	2.07%	\$ -	0.00%
La Habra Associates LLC	88,965,057	1.83%	-	0.00%
La Habra Westridge Partnership LP	61,735,288	1.27%	-	0.00%
Ralph's Grocery Company	30,551,542	0.63%	-	0.00%
Bank First Security of Utah Trust	27,725,213	0.57%	-	0.00%
Essex Hillsborough Park	25,420,590	0.52%	-	0.00%
Costco Wholesale Corp	25,059,582	0.52%	-	0.00%
Clipperton Partners-Lowes HIW	19,287,420	0.40%	-	0.00%
Westridge Golf Inc	18,678,074	0.38%	-	0.00%
Lincoln Center Properties LLC	17,867,103	0.37%	-	0.00%
American Food & Drug Inc	-	0.00%	70,697,778	2.11%
La Habra Westridge	-	0.00%	53,812,506	1.61%
M & H Realty Partners LP	-	0.00%	38,475,066	1.15%
NF La Habra Investors	-	0.00%	25,600,000	0.76%
Essex Portfolio	-	0.00%	21,936,101	0.66%
Ralphs Grocery Company	-	0.00%	18,869,386	0.56%
Bank First Security	-	0.00%	16,812,963	0.50%
Clipperton Partners	-	0.00%	16,724,441	0.50%
Westridge Golf	-	0.00%	15,010,192	0.45%
Voit La Habra Partners	-	<u>0.00%</u>	<u>12,750,000</u>	<u>0.38%</u>
Top Ten Assessed Value	\$ 415,684,494	8.56%	\$ 290,688,433	8.68%
Total Assessed Value	<u>\$ 4,857,677,545</u>		<u>\$ 3,348,567,007</u>	

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

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

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date (2)	
		Amount	Percent of Levy		Amount	Percent of Levy
2004	7,689,081	7,485,771	97.36%	11,328	7,497,098	97.50%
2005 (1)	8,440,987	8,279,720	98.09%	23,723	8,303,444	98.37%
2006	9,919,544	9,704,534	97.83%	14,551	9,719,085	97.98%
2007	10,396,449	9,977,803	95.97%	28,837	10,006,640	96.25%
2008	11,581,270	11,312,879	97.68%	40,478	11,353,357	98.03%
2009	11,484,540	11,087,232	96.54%	62,236	11,149,467	97.08%
2010	11,119,314	10,827,627	97.38%	34,366	10,861,993	97.69%
2011	11,140,486	10,788,148	96.84%	16,586	10,804,734	96.99%
2012	11,306,017	10,758,711	95.16%	17,641	10,776,352	95.32%
2013	11,297,098	10,864,152	96.17%	31,618	10,895,770	96.45%

Source: Orange County Auditor Controller's Office

NOTE:

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

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

(1). Amount excludes Property Tax-In Lieu VLF and Sales, ERAF, Triple flip or VLF Swap tax reported beginning FY 04/05.

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



STATISTICAL SECTION

Debt Capacity

CITY OF LA HABRA
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation	Tax Allocation Bonds (2)	Special Tax Bonds (2)	Notes Payable	Loan Payable	Contract and Lease Payable
2005	\$ 5,586,192	\$ 7,550,000	\$ 2,695,000	\$ 724,036	\$ 1,080,000	\$ 1,236,783
2006	5,378,452	7,440,000	2,575,000	689,036	1,069,060	1,185,155
2007	5,165,712	7,325,000	2,450,000	652,337	970,593	1,143,252
2008	4,942,977	7,205,000	2,320,000	613,856	902,515	1,095,345
2009	4,710,242	7,080,000	2,180,000	573,507	831,620	1,041,037
2010	4,467,502	6,950,000	2,035,000	531,199	757,897	979,910
2011	4,209,751	6,795,000	1,880,000	1,827,692	681,234	911,520
2012	3,947,011	-	-	440,321	601,581	835,402
2013	3,669,271	-	-	391,547	518,682	751,064

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

¹ These ratios are calculated using personal income and population for the prior calendar year. The statistical data ratios for all prior years have been revised to reflect City data rather than County. Source: HdL Coren & Cone

² For fiscal year ended June 30, 2012, outstanding long term debts of the La Habra Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of redevelopment agencies in California.

Statistical information for prior fiscal years is unavailable.

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	Total Governmental Long-term Debt	Certificates of Participation	Revenue Bonds	Total Business-type Activities				
2005	\$ 18,872,011	\$ 19,086,779	\$ 7,355,000	\$ 26,441,779	\$ 45,313,790	3.56%	\$ 2,189	
2006	18,336,703	18,434,540	7,205,000	25,639,540	43,976,243	3.30%	2,027	
2007	17,706,894	17,727,301	7,055,000	24,782,301	42,489,195	2.98%	1,834	
2008	17,079,693	16,970,062	6,900,000	23,870,062	40,949,755	2.74%	1,696	
2009	16,416,406	16,177,823	6,745,000	22,922,823	39,339,229	2.59%	1,614	
2010	15,721,508	13,793,909	6,585,000	20,378,909	36,100,417	2.43%	1,526	
2011	16,305,197	14,134,848	26,095,000	40,229,848	56,535,045	3.82%	2,414	
2012	5,824,315	13,914,290	25,655,000	39,569,290	45,393,605	3.03%	1,845	
2013	5,330,564	13,688,731	25,205,000	38,893,731	44,224,295	2.99%	1,831	

CITY OF LA HABRA
Direct and Overlapping Debt
June 30, 2013

2012-13 Assessed Valuation	\$ 4,857,042,662
Redevelopment Incremental Valuation	-
Adjusted Assessed Valuation	\$ 4,857,042,662

	%age Applicable (1)	Outstanding Debt 6/30/13	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.231%	\$ 165,085,000	\$ 381,346
North Orange County Joint Community College District	4.899%	213,394,001	10,454,172
Fullerton Joint Union High School District	18.455%	52,312,910	9,654,348
La Habra City School District	81.081%	18,514,264	15,011,550
City of La Habra Community Facilities District No. 1990-1	100.000%	1,540,000	1,540,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 37,041,416
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	1.135%	\$ 190,546,000	\$ 2,162,697
Orange County Pension Obligations	1.135%	306,287,244	3,476,360
Orange County Board of Education Certificates of Participation	1.135%	15,770,000	178,990
Municipal Water District of Orange County Water Facilities Corporation	1.361%	10,035,000	136,576
North Orange County Regional Occupation Program Certificate of Participation	5.036%	10,920,000	549,931
Fullerton Joint Union High School District Certificates of Participation	18.455%	22,255,000	4,107,160
City of La Habra Certificate of Participation	100.000%	19,025,000	19,025,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 29,636,714
Less: MWDOC Water Facilities Corporation (100% self-supporting)			136,576
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 29,500,138
TOTAL DIRECT DEBT			\$ 19,025,000
TOTAL GROSS OVERLAPPING DEBT			\$ 53,998,130
TOTAL NET OVERLAPPING DEBT			\$ 53,861,554
GROSS COMBINED TOTAL DEBT			\$ 73,023,130
NET COMBINED TOTAL DEBT			72,886,554

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

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

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 0.76%

Ratios to Adjusted Assessed Valuation:

Total Direct Debt (\$ 19,025,000).....0.39%

Gross Combined Total Debt.....1.50%

Net Combined Total Debt.....1.50%

Ratios to Redevelopment Incremental Valuation (\$346,316,336):

Total Overlapping Tax Increment Debt..... 1.83%

Source: California Municipal Statistics, Inc.



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

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Assessed Value of all Real and Personal Property	\$ 3,350,641,844	\$ 3,598,042,087	\$ 3,962,715,606
Debt Limit Percentage	15.00%	15.00%	15.00%
Total Debt Limit (1)	502,596,277	539,706,313	594,407,341
Amount of Debt Applicable to Debt Limit (2)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal Debt Margin	<u>\$ 502,596,277</u>	<u>\$ 539,706,313</u>	<u>\$ 594,407,341</u>

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

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

Source: City Finance Department
Orange County Assessor's Office

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
\$4,414,500,225	\$4,773,433,708	\$4,876,737,977	\$4,708,919,643	\$4,700,690,212	\$4,792,478,144	\$4,857,042,662
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
662,175,034	716,015,056	731,510,697	706,337,946	705,103,532	718,871,722	728,556,399
<u>\$ -</u>						
<u>\$ 662,175,034</u>	<u>\$ 716,015,056</u>	<u>\$ 731,510,697</u>	<u>\$ 706,337,946</u>	<u>\$ 705,103,532</u>	<u>\$ 718,871,722</u>	<u>\$ 728,556,399</u>

CITY OF LA HABRA
Pledged-Revenue Coverage
Last Nine Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005 (1)	\$ 7,619,270	\$ 6,680,887	\$ 938,383	\$ 145,000	\$ 322,244	2.01
2006 (1)	8,723,742	6,872,437	1,851,305	150,000	320,031	3.94
2007 (1)	9,876,631	8,151,398	1,725,233	150,000	317,594	3.69
2008 (1)	10,207,199	8,021,077	2,186,122	155,000	314,634	4.65
2009 (1)	9,889,342	7,889,321	2,000,021	155,000	311,244	4.29
2010 (1)	10,759,475	8,421,183	2,338,292	160,000	307,400	5.00
2011 (2)	12,228,026	8,186,833	4,041,193	165,000	763,140	4.35
2012 (2)	12,769,148	8,107,006	4,662,142	440,000	1,569,580	2.32
2013 (2)	13,411,940	6,880,724	6,531,216	450,000	1,447,239	3.44

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, amortization, and the lease payment to the city. The Water Revenue Bonds operating revenues and expenses have been restated for 2008-2012

(1) 2003 Revenue Bonds, Series A

(2) 2003 Revenue Bonds, Series A; 2010 Revenue Bonds, Series A; 2010 Revenue Bonds, Series B

Statistical information for prior fiscal years is unavailable.

Certificate of Participation, Series A

Fiscal Year Ended June 30	Less		Net	Debt Service		Coverage
	Revenue	Operating Expenses	Available Revenue	Principal	Interest	
2005	\$ 2,224,906	\$ 774,838	\$ 1,450,068	\$ 585,000	\$ 891,420	0.98
2006	2,322,577	806,585	1,515,992	660,000	866,520	0.99
2007	2,399,796	747,270	1,652,526	684,996	869,024	1.06
2008	2,539,842	792,238	1,747,604	706,416	867,682	1.11
2009	2,615,717	788,007	1,827,710	718,007	858,749	1.16
2010	2,595,730	1,045,302	1,550,428	735,047	852,152	0.98
2011	2,614,922	1,026,535	1,588,387	-	688,981	2.31
2012	2,633,169	937,834	1,695,335	285,000	736,769	1.66
2013	2,683,325	1,068,889	1,614,436	290,000	733,169	1.58

CITY OF LA HABRA
Pledged-Revenue Coverage
Last Nine Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds					Coverage
	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2005	\$ 1,370,272	\$ 802,566	\$ 567,706	\$ 105,000	\$ 426,423	1.07
2006	2,085,904	1,121,430	964,474	110,000	421,585	1.81
2007	1,873,932	734,015	1,139,917	115,000	416,465	2.14
2008	2,343,944	1,038,171	1,305,773	120,000	411,000	2.46
2009	2,361,818	1,431,419	930,399	125,000	405,180	1.75
2010	2,447,870	2,055,699	392,171	130,000	398,995	0.74
2011	2,446,322	1,614,675	831,647	155,000	391,935	1.52
2012	2,377,771	1,427,386	950,385	220,000	382,450	1.58
2013	2,446,245	1,465,205	981,040	230,000	370,860	1.63

Special Tax Bonds							
Fiscal Year Ended June 30	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2005	\$ 286,158	\$ 6,869	\$ 279,289	\$ 115,000	\$ 159,703	1.02	
2006	279,694	7,192	272,502	120,000	153,650	1.00	
2007	276,483	7,569	268,914	125,000	147,218	0.99	
2008	278,857	7,834	271,023	130,000	140,460	1.00	
2009	279,876	8,073	271,803	140,000	133,235	0.99	
2010	278,485	8,463	270,022	145,000	125,468	1.00	
2011	286,596	8,705	277,892	155,000	117,140	1.02	
2012	286,786	8,796	277,991	165,000	107,850	1.02	
2013	291,856	11,184	280,672	175,000	97,650	1.03	



STATISTICAL SECTION
Demographic and Economic Information

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2004	61,186	\$ 1,203,943	\$ 19,677	5.4%
2005	61,411	1,271,463	20,704	4.8%
2006	61,470	1,333,587	21,695	4.3%
2007	61,588	1,426,814	23,167	3.9%
2008	61,973	1,496,367	24,145	4.4%
2009	62,309	1,518,571	24,372	6.0%
2010	62,747	1,484,763	23,663	10.1%
2011	63,184	1,479,959	23,423	10.8%
2012	60,871	1,497,853	24,607	9.8%
2013	61,202	1,478,212	24,153	6.4%

Source: HdL Coren & Cone

CITY OF LA HABRA
Principal Employers
Current Year and Last Year

Employer	2013		2012	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
CVS Pharmacy	912	3.06%	887	3.09%
Wal-Mart/Sams Stores Inc.	728	2.44%	554	1.93%
West Coast Staffing	672	2.26%	-	0.00%
Preferred Employment	542	1.82%	542	1.89%
City of La Habra	393	1.32%	393	1.37%
Costco	264	0.89%	255	0.89%
The Kroger Co./La Habra Bakery	232	0.78%	235	0.82%
Target Stores T-248	181	0.61%	190	0.66%
Home Depot USA	165	0.55%	154	0.54%
Lowe's Home Centers Inc.	135	0.45%	128	0.45%
VIP Rubber Company Inc.	135	0.45%	120	0.42%
Kohl's Department Stores Inc.	123	0.41%	135	0.47%

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

Source: Business License Dept.
EDD Labor Market Info.



STATISTICAL SECTION
Operating Information

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

Function/Department	Full-time Equivalent Employees									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Manager	4.94	4.94	4.94	4.94	5.50	4.50	3.50	3.75	3.75	3.75
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.53	2.75
Community Development	15.36	17.88	18.88	18.77	21.29	22.29	30.37	28.84	30.70	32.85
Community Services	121.26	100.34	100.18	100.72	100.24	107.52	104.21	99.25	94.50	101.67
Finance/Administrative Services	20.54	20.44	20.82	19.98	20.12	20.12	21.07	21.82	22.45	23.82
Fire *	41.00	41.00	-	-	-	-	-	-	-	-
Police	122.65	117.18	122.70	122.52	127.05	124.21	124.96	120.68	121.76	119.21
Public Works	60.33	60.81	64.11	67.37	67.59	66.87	59.31	54.24	54.50	45.22
Children's Museum	10.17	8.67	7.51	7.98	6.50	8.01	7.02	7.89	6.19	9.53
Total	<u>399.25</u>	<u>374.26</u>	<u>342.14</u>	<u>345.28</u>	<u>351.29</u>	<u>356.52</u>	<u>353.44</u>	<u>339.47</u>	<u>336.38</u>	<u>338.80</u>

* The City contracted Fire Operations to Los Angeles County Fire Department in 2006.

Source: City of La Habra, Finance Department

CITY OF LA HABRA
Operating Indicators
by Function
Last Seven Fiscal Years

	2007	2008	2009	2010	2011	2012	2013
Police:							
Arrests	2,423	2,494	2,472	2,438	2,087	2,285	2,238
Crime Reports	8,786	8,190	8,363	7,932	7,786	6,909	6,465
Moving citations issued	6,098	7,845	10,801	8,771	7,683	5,070	5,859
Parking citations issued	14,856	17,051	16,386	14,617	10,546	8,389	10,452
Fire *							
Number of emergency calls	3,401	3,293	3,581	3,814	3,418	3,527	3,549
Public Works							
Street resurfacing (miles)	14	15	6	7	9	11	11
Community development							
Building Permits Issued	1,322	1,340	1,614	1,866	1,747	1,786	1,818
Building Inspections	4,768	4,061	3,424	3,242	3,922	3,422	3,170
Building Plan Checks	319	300	191	175	176	166	191
Parks and recreation:							
Number of Parks	24	24	24	24	24	24	24
Park Acreage	133.45	133.66	133.66	133.66	133.66	133.66	134.84
Number of recreation classes	26	24	20	16	17	17	18
Municipal Water Department							
Number of Accounts	12,707	12,584	12,569	12,638	12,656	12,614	12,620
Average daily consumption (thousands of gallons)	9,690	9,287	8,910	8,084	7,538	8,136	8,303

* The City contracted Fire Operations to Los Angeles County Fire Department in 2006.

Source: City of La Habra, Finance Department

CITY OF LA HABRA
Capital Asset Statistics
by Function
Last Seven Fiscal Years

	2007	2008	2009	2010	2011	2012	2013
Police:							
Stations	1	1	1	1	1	1	1
Fire *							
Stations	4	4	4	4	4	4	4
Public works:							
Streets (miles)	108	108	108	108	108	108	108
Street lights	2,649	2,637	2,635	2,635	2,510	2,537	2,540
Traffic signals	33	34	34	34	34	34	34
Parks and recreation:							
Parks	24	24	24	24	24	24	25
Community centers	1	1	1	1	1	1	1
Water:							
Water mains (miles)	120	130	130	130	130	130	130
Sewer							
Sanitary sewers (miles)	108	108	108	108	108	108	108

* The City contracted Fire Operations to Los Angeles County Fire Department in 2006.

Source: City of La Habra, Finance Department

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

	Fiscal Years									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Water Services										
Residential	\$ 11,398	\$ 11,481	\$ 11,507	\$ 11,598	\$ 11,478	\$ 11,475	\$ 11,549	\$ 11,565	\$ 11,519	\$ 11,530
Commercial/Industrial	829	836	833	849	842	830	827	824	817	812
Schools/Other	313	250	261	260	264	264	262	267	278	278
Total	<u>\$ 12,540</u>	<u>\$ 12,567</u>	<u>\$ 12,601</u>	<u>\$ 12,707</u>	<u>\$ 12,584</u>	<u>\$ 12,569</u>	<u>\$ 12,638</u>	<u>\$ 12,656</u>	<u>\$ 12,614</u>	<u>\$ 12,620</u>

Source: City of La Habra

CITY OF LA HABRA
Water Rates
Last Two Fiscal Years

Adopted: 06/04/12
Effective: 07/01/12

Meter Size	2012		2013	
	Monthly Meter Charge	Water Consumption Charge (1)	Monthly Meter Charge	Water Consumption Charge (1)
5/8 inch	\$ 11.22	\$ 2.51	\$ 11.33	\$ 2.54
3/4 inch	12.68	2.51	12.80	2.54
1 inch	16.36	2.51	16.53	2.54
1-1/2 inches	37.58	2.51	37.96	2.54
2 inches	65.12	2.51	65.80	2.54
3 inches	146.60	2.51	148.07	2.54
4 inches	259.47	2.51	262.06	2.54
6 inches	583.84	2.51	589.68	2.54
8 inches	658.79	2.51	665.38	2.54
10 inches	n/a	n/a	n/a	n/a

(1) For each Additional 100 cubic feet. From May 1 to September of each year, a charge of \$2.75 per 100 cubic feet is assessed for consumption above 17,000 cubic feet.

Source: City of La Habra

Statistical information for prior fiscal years is not available.

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

Water Agency	FY 2013				FY 2012			
	Usage (in ccf's)	Commodity Charge	Readiness to Serve	Total Bill	Usage (in ccf's)	Commodity Charge	Readiness to Serve	Total Bill
La Habra	25	\$ 2.54	\$ 11.33	\$ 74.83	25	\$ 2.51	\$ 11.22	\$ 73.97
Brea (Tiered Rate)	1-10	2.23	8.68	-	1-12	3.29	7.71	-
Brea (Tiered Rate)	11-20	3.14	-	-	13-25	3.40	-	92.71
Brea (Tiered Rate)	21-25	4.00	-	82.38	0	-	-	-
Fullerton (Tiered Rate)	1-10	2.39	6.41	-	1-10	2.65	7.12	-
Fullerton (Tiered Rate)	11-25	2.66	-	70.23	11-25	2.96	-	81.12
La Habra Heights (Lower Fire)	25	1.44	27.19	63.19	25	1.44	27.19	63.19
La Habra Heights (Higher Fire)	25	1.66	27.19	68.69	25	1.66	-	68.69
Suburban Water System	1-20	2.28	11.83	70.08	1-20	2.07	11.38	-
Suburban Water System (La Mirada & Whittier)	5	2.52	-	-	5	2.33	-	64.37
Whittier (3/4 meter)	25	1.76	14.93	58.93	25	1.76	19.40	63.40

Source: City of La Habra
Statistical information for prior fiscal years is not available.

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

Customer	2013		2012	
	12 Month Consumption (100 Cubic Feet)	Percentage of Total Consumption	12 Month Consumption (100 Cubic Feet)	Percentage of Total Consumption
Westridge Golf, Inc.	123,479	3.15%	110,060	2.97%
City of La Habra	120,001	3.06%	-	0.00%
La Habra School District	66,212	1.69%	12,785	0.34%
Westridge Community Association	48,954	1.25%	-	0.37%
Tapestry/Keystone	28,883	0.74%	11,490	0.31%
Brooklake Apts	27,106	0.69%	11,687	0.31%
Fullerton Union High School District	26,682	0.68%	14,057	0.38%
Friendly Village A/P	24,201	0.62%	19,871	0.54%
Whittier Christian HS	22,271	0.57%	13,604	0.37%
La Habra Woods Apts	17,062	0.44%	8,523	0.23%
The Kroger Co/La Habra Bakery	-	0.00%	13,768	0.37%
Casa La Habra	-	0.00%	9,068	0.24%
Total Consumption in 100 CCF		<u>3,921,196</u>		<u>3,569,299</u>

Source: City of La Habra
Statistical information for prior fiscal years is not available.