

**CITY OF LA HABRA HEIGHTS,  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**



CITY OF LA HABRA HEIGHTS

TABLE OF CONTENTS

June 30, 2012

	<u>Page Number</u>
Independent Auditors' Report	1
Basic Financial Statements:	3
Government-wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	7
Governmental Funds:	
Balance Sheet	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	11
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities - Agency Fund	12
Notes to Basic Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION:	37
Budgetary Comparison Schedules:	
General Fund	38
Fire Special Revenue Fund	39
Park Grants Special Revenue Fund	40
Note to Required Supplementary Information	41

CITY OF LA HABRA HEIGHTS

TABLE OF CONTENTS  
(Continued)

June 30, 2012

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION:	43
Other Governmental Funds:	45
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
State Gas Tax Special Revenue Fund	56
Proposition A Special Revenue Fund	57
Air Quality Improvement (AQMD) Special Revenue Fund	58
Proposition C Special Revenue Fund	59
Supplemental Law Enforcement Services Special Revenue Fund	60
Law Enforcement Equipment Program Special Revenue Fund	61
Measure R Special Revenue Fund	62
EECBG Special Revenue Fund	63
Road Maintenance District #4 Capital Projects Fund	64
Fiduciary Fund:	65
Schedule of Changes in Fiduciary Assets and Liabilities - Street Assessment District #1 Agency Fund	66

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of La Habra Heights  
La Habra Heights, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of La Habra Heights, California (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of La Habra Heights, California's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of La Habra Heights, California, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2013 on our consideration of the City of La Habra Heights, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison schedules, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. The budgetary comparison schedules and related note have 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*White Nelson Dick Evans LLP*

Irvine, California  
July 2, 2013

## **BASIC FINANCIAL STATEMENTS**

**This page intentionally left blank**



CITY OF LA HABRA HEIGHTS

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
ASSETS:	
Cash and investments	\$ 7,130,877
Receivables (net of allowance for uncollectibles):	
Accounts	240,285
Deposits	11,124
Capital assets:	
Nondepreciable	1,766,522
Depreciable, net of accumulated depreciation	<u>4,251,755</u>
 TOTAL ASSETS	 <u>13,400,563</u>
LIABILITIES:	
Accounts payable	306,669
Retention payable	22,151
Accrued expenses	34,891
Deposits payable	383,367
Noncurrent liabilities:	
Due within one year	16,384
Due in more than one year	<u>16,383</u>
 TOTAL LIABILITIES	 <u>779,845</u>
NET ASSETS:	
Invested in capital assets	6,018,277
Restricted for:	
Public safety	127,574
Transportation	850,316
Special purposes	23,892
Unrestricted	<u>5,600,659</u>
 TOTAL NET ASSETS	 <u>\$ 12,620,718</u>

See independent auditors' report and notes to basic financial statements.

CITY OF LA HABRA HEIGHTS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General administration	\$ 901,951	\$ 18,260	\$ 124,136	\$ -	\$ (759,555)
Public safety	1,718,619	1,307,119	118,301	-	(293,199)
Public works	904,252	339,208	409,792	104,212	(51,040)
Community development	606,488	239,829	32,860	-	(333,799)
Parks and recreation	78,169	79,321	78,220	-	79,372
Interest on long-term liabilities	14,987	-	-	-	(14,987)
Total governmental activities	<u>\$ 4,224,466</u>	<u>\$ 1,983,737</u>	<u>\$ 763,309</u>	<u>\$ 104,212</u>	<u>(1,373,208)</u>
General revenues:					
Taxes					
Property					1,531,341
Sales and use					28,929
Franchise					136,099
Motor vehicle					3,064
Other					198,746
Investment income					20,374
Other revenue					<u>110,526</u>
Total general revenues					<u>2,029,079</u>
Change in net assets					655,871
Net assets at beginning of year					<u>11,964,847</u>
Net assets at end of year					<u>\$ 12,620,718</u>

See independent auditors' report and notes to basic financial statements.

**FUND FINANCIAL STATEMENTS**

CITY OF LA HABRA HEIGHTS

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
		Fire	Storm Damage	Park Grants		
<b>ASSETS</b>						
Cash and investments	\$ 5,999,815	\$ 48,754	\$ 52,756	\$ -	\$ 1,029,552	\$ 7,130,877
Receivables:						
Accounts	50,135	-	73,607	78,220	38,323	240,285
Deposits	11,124	-	-	-	-	11,124
Due from other funds	111,080	-	-	-	-	111,080
<b>TOTAL ASSETS</b>	<b>\$ 6,172,154</b>	<b>\$ 48,754</b>	<b>\$ 126,363</b>	<b>\$ 78,220</b>	<b>\$ 1,067,875</b>	<b>\$ 7,493,366</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 138,569	\$ 35,947	\$ 104,212	\$ -	\$ 27,941	\$ 306,669
Retention payable	-	-	22,151	-	-	22,151
Accrued expenses	16,792	12,807	-	-	5,292	34,891
Deposits payable	383,367	-	-	-	-	383,367
Deferred revenues	-	-	73,607	78,220	-	151,827
Due to other funds	-	-	-	78,220	32,860	111,080
<b>TOTAL LIABILITIES</b>	<b>538,728</b>	<b>48,754</b>	<b>199,970</b>	<b>156,440</b>	<b>66,093</b>	<b>1,009,985</b>
<b>FUND BALANCES (DEFICITS):</b>						
Restricted:						
Transportation	-	-	-	-	850,316	850,316
Public safety	-	-	-	-	127,574	127,574
Air quality improvement	-	-	-	-	23,892	23,892
Public access television	27,213	-	-	-	-	27,213
Unassigned	5,606,213	-	(73,607)	(78,220)	-	5,454,386
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>5,633,426</b>	<b>-</b>	<b>(73,607)</b>	<b>(78,220)</b>	<b>1,001,782</b>	<b>6,483,381</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,172,154</b>	<b>\$ 48,754</b>	<b>\$ 126,363</b>	<b>\$ 78,220</b>	<b>\$ 1,067,875</b>	<b>\$ 7,493,366</b>

See independent auditors' report and notes to basic financial statements.

CITY OF LA HABRA HEIGHTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Fund balances - total governmental funds \$ 6,483,381

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The capital assets consist of:

Land	\$ 1,662,310	
Construction in progress	104,212	
Depreciable assets, net of \$3,339,065 accumulated depreciation	<u>4,251,755</u>	
		6,018,277

Certain receivables are not available to pay for current period expenditures, and therefore are deferred in the governmental funds	151,827
--	---------

Long-term liabilities, including notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(32,767)</u>
--	-----------------

Net assets of governmental activities	<u><u>\$ 12,620,718</u></u>
---------------------------------------	-----------------------------

See independent auditors' report and notes to basic financial statements.

CITY OF LA HABRA HEIGHTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	General Fund	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
		Fire	Storm Damage	Park Grants		
<b>REVENUES:</b>						
Taxes	\$ 1,865,186	\$ -	\$ -	\$ -	\$ -	\$ 1,865,186
Licenses and permits	187,849	2,554	-	-	-	190,403
Fines and penalties	25,033	-	-	-	-	25,033
Intergovernmental revenues	10,000	-	30,605	-	549,225	589,830
Investment earnings	20,109	-	-	-	2,223	22,332
Charges for services	466,149	-	-	-	18,711	484,860
Fees and other revenues	237,909	9,578	-	-	-	247,487
Special assessments	-	967,351	-	-	336,028	1,303,379
<b>TOTAL REVENUES</b>	<b>2,812,235</b>	<b>979,483</b>	<b>30,605</b>	<b>-</b>	<b>906,187</b>	<b>4,728,510</b>
<b>EXPENDITURES:</b>						
Current:						
General government	843,262	-	-	-	-	843,262
Public safety	648,619	984,387	-	-	-	1,633,006
Public works	323,993	-	-	-	431,034	755,027
Community development	606,488	-	-	-	-	606,488
Parks and recreation	31,411	-	-	11,899	-	43,310
Capital outlay	81,978	-	104,212	57,500	-	243,690
Debt service:						
Principal retirement	-	252,642	-	-	-	252,642
Interest	-	25,550	-	-	-	25,550
<b>TOTAL EXPENDITURES</b>	<b>2,535,751</b>	<b>1,262,579</b>	<b>104,212</b>	<b>69,399</b>	<b>431,034</b>	<b>4,402,975</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>276,484</b>	<b>(283,096)</b>	<b>(73,607)</b>	<b>(69,399)</b>	<b>475,153</b>	<b>325,535</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	100,000	283,096	-	-	6,000	389,096
Transfers out	(289,096)	-	-	-	(100,000)	(389,096)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(189,096)</b>	<b>283,096</b>	<b>-</b>	<b>-</b>	<b>(94,000)</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>87,388</b>	<b>-</b>	<b>(73,607)</b>	<b>(69,399)</b>	<b>381,153</b>	<b>325,535</b>
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<b>5,546,038</b>	<b>-</b>	<b>-</b>	<b>(8,821)</b>	<b>620,629</b>	<b>6,157,846</b>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<b>\$ 5,633,426</b>	<b>\$ -</b>	<b>\$ (73,607)</b>	<b>\$ (78,220)</b>	<b>\$ 1,001,782</b>	<b>\$ 6,483,381</b>

See independent auditors' report and notes to basic financial statements.

CITY OF LA HABRA HEIGHTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 325,535
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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$277,160) exceeded capital outlay (\$177,701).	(99,459)
Repayment of long-term liabilities is reported as an expenditure in governmental funds, however the repayment does not have any effect on net assets.	252,642
Compensated absences and other post-employment benefit obligations reported in the Statement of Activities that do not require the use of current financial resources are not reported on the fund statements, but are reported as an expense in the government-wide statements.	14,763
Certain operating grants reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds	151,827
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds. This amount represents the net change in interest payable.	<u>10,563</u>
Change in net assets of governmental activities	<u><u>\$ 655,871</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF LA HABRA HEIGHTS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND

June 30, 2012

	<u>Street Assessment District #1</u>
ASSETS:	
Cash	\$ 440,061
Restricted assets:	
Cash held by bond trustee	<u>192,500</u>
 TOTAL ASSETS	 <u><u>\$ 632,561</u></u>
 LIABILITIES:	
Due to bond holders	 <u><u>\$ 632,561</u></u>

See independent auditors' report and notes to basic financial statements.



**NOTES TO BASIC FINANCIAL STATEMENTS**

CITY OF LA HABRA HEIGHTS  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity:

The City of La Habra Heights (the City) is a municipal corporation operating as a general law city governed by a city council of five members.

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

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

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 with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 fiduciary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (current and long-term) are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year in which the taxes are levied. Revenue from grants and similar items are recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, generally only current assets and current liabilities are reported in the governmental funds. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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 to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is made.

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

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Special Revenue Fund is used to account for revenues and expenditures related to the La Habra Heights Fire Department.

The Storm Damage Special Revenue Fund is used to account for the distribution and use of funds for storm damage to roads and slopes in 2005 and FHWA Funds.

The Park Grants Special Revenue Fund is used to account for the distribution and use of all park grant funds received.

Additionally, the City reports the following fund types:

The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

The Agency Fund is used to account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The City accounts for amounts due to bond holders in this fund type.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. In the fund financial statements, quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursement fund and as revenues in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other transfers are reported as operating transfers.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

D. Investments:

Investments are stated at their fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Local Agency Investment Fund operates in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

E. Interfund Activity:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of the interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Receivables:

All trade and property taxes receivable are shown net of an allowance for uncollectible accounts. Property taxes in the State of California are administered for all local agencies at the County level, and consist of secured, unsecured, and utility tax roles.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Property Taxes:

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, providing they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day in January proceeding the fiscal year for which the taxes are levied.

The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

H. Capital Assets:

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Capital Assets (Continued):

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

I. Compensated Absences:

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

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

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

J. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Net Assets:

The governmental activities in the government-wide financial statements utilize a net assets presentation. Net assets are classified in the following categories:

Invested in capital assets, net of related debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

When both restricted and unrestricted resources are available for use, the City may use restricted resources or unrestricted resources based on the Council's discretion.

L. Governmental Fund Balance Classifications:

The fund balances reported on the fund statements consist of the following classifications:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned Fund Balance - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

See independent auditors' report.



CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Governmental Fund Balance Classifications (Continued):

Unassigned Fund Balance - The classifications include the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

M. 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 effect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectibility of its receivables (e.g. accounts receivable, due from other governments), the depreciation of its capital assets and the ultimate outcome of any claims and judgments. Actual results could differ from those estimates and assumptions.

N. Subsequent Events:

The City has evaluated events subsequent to June 30, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 2, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments at June 30, 2012, are classified in the accompanying financial statements as follows:

	Government- wide Statement of <u>Net Assets</u>	Statement of Fiduciary Assets and <u>Liabilities</u>	<u>Total</u>
Cash and investments	\$ 7,130,877	\$ 440,061	\$ 7,570,938
Restricted cash held by bond trustee	<u>-</u>	<u>192,500</u>	<u>192,500</u>
Total Cash and Investments	<u>\$ 7,130,877</u>	<u>\$ 632,561</u>	<u>\$ 7,763,438</u>

Cash and investments at June 30, 2012 consisted of the following:

Cash on hand	\$ 3,125
Deposits with financial institutions	5,424,773
Investments	<u>2,335,540</u>
Total Cash and Investments	<u>\$ 7,763,438</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

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

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

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by the California Government Code and the City's Investment Policy (Continued):**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations:			
Bills, Notes and Bonds	5 years	No Limit	No Limit
United States Government Sponsored Agency Securities:			
Government National Mortgage Association (GNMA)	5 years	No Limit	N/A
Federal Farm Credit Bank (FFCB)	5 years	No Limit	N/A
Federal Home Loan Bank (FHLB)	5 years	No Limit	N/A
Federal Home Loan Mortgage Corporation (FHLMC)	5 years	No Limit	N/A
Student Loan Mortgage Administration (SLMA)	5 years	No Limit	N/A
Tennessee Valley Authority	5 years	No Limit	N/A
Federal National Mortgage Association (FNMA)	5 years	No Limit	N/A
Federal Housing Administration (FHA)	5 years	No Limit	N/A
Mutual Funds that meet requirements of California Government Code Section 53601(k)	N/A	No Limit	10%
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit
Negotiable Certificates of Deposits	5 years	30%	5%

N/A - Not Applicable

\* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements:**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include United States Treasury Obligations, United States Government Sponsored Agency Securities, Local Agency Bonds, and Mutual Funds. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

**Disclosures Relating to Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that the City will not directly invest in securities maturing more than five years from the date of purchase. The only exception to these maturity limits shall be the investment of the gross proceeds of tax-exempt bonds. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months) 12 Months or Less
Local Agency Investment Fund	\$ 2,143,040
Held by Bond Trustee:	
Money Market Mutual Fund	192,500
	\$ 2,335,540

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk:**

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

<u>Investment Type</u>	<u>Total as of June 30, 2012</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 2,143,040	(1)	\$ -	\$ 2,143,040
Held by Bond Trustee:				
Money Market Mutual Fund	<u>192,500</u>	A	<u>192,500</u>	<u>-</u>
Total	<u>\$ 2,335,540</u>		<u>\$ 192,500</u>	<u>\$ 2,143,040</u>

(1) Not Applicable - Not Rated

**Concentration of Credit Risk:**

The City is in compliance with restrictions imposed by the investment policy, which limits certain types of investments. As of June 30, 2012, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the United States Government and investments in mutual funds and external investment pools are excluded from this requirement.

**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).

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

2. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk (Continued):**

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 the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, the City's \$5,108,924 of deposits (bank balances) in excess of the Federal Deposit Insurance Corporation insurance limits was fully collateralized in accordance with California Law.

**Investment in State Investment Pool:**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 1,662,310	\$ -	\$ -	\$ 1,662,310
Construction in progress	<u>-</u>	<u>161,712</u>	<u>(57,500)</u>	<u>104,212</u>
Total capital assets, not being depreciated	<u>1,662,310</u>	<u>161,712</u>	<u>(57,500)</u>	<u>1,766,522</u>
Capital assets, being depreciated:				
Buildings	859,410	-	-	859,410
Improvements	875,278	57,500	-	932,778
Infrastructure	3,224,042	-	-	3,224,042
Machinery and equipment	985,407	15,989	-	1,001,396
Vehicles	<u>1,573,194</u>	<u>-</u>	<u>-</u>	<u>1,573,194</u>
Total capital assets, being depreciated	<u>7,517,331</u>	<u>73,489</u>	<u>-</u>	<u>7,590,820</u>
Less accumulated depreciation for:				
Buildings	(299,923)	(42,583)	-	(342,506)
Improvements	(602,826)	(36,734)	-	(639,560)
Infrastructure	(107,468)	(107,468)	-	(214,936)
Machinery and equipment	(959,862)	(25,545)	-	(985,407)
Vehicles	<u>(1,091,826)</u>	<u>(64,830)</u>	<u>-</u>	<u>(1,156,656)</u>
Total accumulated depreciation	<u>(3,061,905)</u>	<u>(277,160)</u>	<u>-</u>	<u>(3,339,065)</u>
Total capital assets, being depreciated, net	<u>4,455,426</u>	<u>(203,671)</u>	<u>-</u>	<u>4,251,755</u>
Total governmental activities capital assets, net	<u>\$ 6,117,736</u>	<u>\$ (41,959)</u>	<u>\$ (57,500)</u>	<u>\$ 6,018,277</u>

Depreciation expense was charged to the City's governmental activities as follows:

Governmental activities:	
General government	\$ 33,231
Public safety	101,602
Public works	107,468
Parks and recreation	<u>34,859</u>
Total depreciation expense	<u>\$ 277,160</u>

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance at July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2012</u>	Due Within One <u>Year</u>
Governmental activities:					
Lease payable	\$ 252,642	\$ -	\$ (252,642)	\$ -	\$ -
Other post-employment benefit obligations (Note 9)	1,074	-	(1,074)	-	-
Compensated absences	<u>46,456</u>	<u>39,687</u>	<u>(53,376)</u>	<u>32,767</u>	<u>16,384</u>
Total governmental activities	<u>\$ 300,172</u>	<u>\$ 39,687</u>	<u>\$ (307,092)</u>	<u>\$ 32,767</u>	<u>\$ 16,384</u>

**Lease Payable:**

On July 9, 2008, the City entered into a capital lease and option agreement with First Bankers Corporation for the acquisition of a fire engine. The cost of the fire engine was \$394,688 and the amount financed was \$337,018. Ownership of the vehicle passes to the City at the end of the lease. The lease is payable from fire-related revenues of the City but is a general obligation of the City. Interest and principal payments in the amount of \$57,670 are payable annually on August 1st.

On November 10, 2011, the City Council authorized and made an advance payoff of the remaining lease payable amount.

At June 30, 2012, the outstanding principal balance of lease payable is \$0. The recorded balance on the statement of net assets of the fire engine net of \$69,070 accumulated depreciation is \$325,618.

**Compensated Absences:**

There is no fixed payment schedule for earned but unpaid compensated absences.

See independent auditors' report.



CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2012, is as follows:

**Due To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Park Grants Special Revenue Fund	\$ 78,220
	Other Governmental Funds	<u>32,860</u>
		<u>\$ 111,080</u>

The interfund balances represent interfund borrowings to cover short-term cash deficits.

**Interfund Transfers:**

<u>Transfer In to Fund</u>	<u>Transfer Out of Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 100,000
Fire Special Revenue Fund	General Fund	283,096
Other Governmental Funds	General Fund	<u>6,000</u>
		<u>\$ 389,096</u>

The transfers to the General Fund were made to cover certain public safety costs. The transfer to the Fire Special Revenue Fund was to cover the Fund's share of accrued insurance costs.

6. INDIVIDUAL FUND DISCLOSURES:

**Deficit Fund Balances:**

The following funds had a deficit fund balance at June 30, 2012:

Major Funds:

Storm Damage Special Revenue Fund	\$ 73,607
Park Grants Special Revenue Fund	78,220

These deficits are expected to be eliminated upon receipt of the grant revenues that were not recognized as a result of not meeting the availability criteria.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

6. INDIVIDUAL FUND DISCLOSURES (CONTINUED):

**Expenditures Exceeding Appropriations:**

For the year ended June 30, 2012, expenditures exceeded appropriations as follows:

Major Funds:

General Fund:

General government \$ (753)

Community development (44,648)

Park Grants Special Revenue Fund:

Parks and recreation (11,899)

Other Governmental Funds:

Air Quality Improvement (AQMD)

Special Revenue Fund - Public works (250)

Proposition C Special Revenue Fund - Public works (2,901)

EECBG Grant Special Revenue Fund - Public works (6,000)

The expenditures exceeding appropriations were funded by existing fund balances in the respective funds and, in certain cases, excess revenues received in the current year.

7. PENSION PLANS:

**Plan Description:**

The City of La Habra Heights participates in the Local Miscellaneous 2% at 60 and Local Safety-Fire 2% at 55 Risk Pools of the California Public Employees' Retirement System (CalPERS). These plans are cost-sharing, multiple-employer public employee defined benefit pension plans administered by CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, California 95814.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

7. PENSION PLANS (CONTINUED):

**Funding Policy:**

Local miscellaneous and local safety-fire members are required to contribute 8% and 9%, respectively, of their annual covered salary. For City employees enrolled in CalPERS prior to March 10, 2012, the City makes the contributions required of City employees on their behalf and for their account. City employees enrolled on or after March 10, 2012 are required to make 100% of member contributions to CalPERS. The City is required to contribute at an actuarially determined rate; the current rates are 12.264% and 0.00% of annual covered payroll for local miscellaneous employees and local safety-fire employees, respectively. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

**Funded Status and Funding Progress:**

The City's employer contributions to CalPERS for the past three years, which were equal to the required contribution each year, were as follows:

Fiscal Year Ended June 30,	Local Miscellaneous	Local Safety-Fire
2012	\$ 66,676	\$ -
2011	54,582	-
2010	58,916	2,852

8. DEFERRED COMPENSATION PLANS:

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

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

The City makes a matching contribution of 3.75% to the Nationwide Retirement Solutions, Inc. deferred compensation plan for part-time employees. The total contributions made by the City in fiscal year 2011-2012 amounts to \$16,770.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

9. OTHER POST-EMPLOYMENT BENEFITS:

**Plan Description:**

The City provides a post-retirement health insurance plan per City Council action on June 11, 2009. The benefit is in the form of a monthly supplemental payment to assist qualified retirees with premium payment on medical insurance. As of July 1, 2011, only one employee is qualified under this plan. The plan was terminated on February 29, 2012 and the City has no further obligations related to the plan as of June 30, 2012.

10. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY:

**Description of Joint Powers Insurance Authority:**

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

**Self-Insurance Programs of the Insurance Authority:**

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

10. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

**Self-Insurance Programs of the Insurance Authority (Continued):**

General Liability Insurance. In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

10. CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CONTINUED):

**Self-Insurance Programs of the Insurance Authority (Continued):**

Workers' Compensation (Continued). Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

**Purchased Insurance:**

Pollution Legal Liability Insurance. The City participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50 million for the three-year period from July 1, 2011 through July 1, 2014. Each member of the Insurance Authority has a \$10 million sub-limit during the three-year term of the policy.

Property Insurance. The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. The City's property currently has all-risk property insurance protection in the amount of \$5,290,361. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance. The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority. Premiums are paid annually and are not subject to retroactive adjustments.

**Adequacy of Protection:**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in 2011-12.

Complete financial statements for the Insurance Authority may be obtained at their administrative office located at 8081 Moody Street, La Palma, California 90623.

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

11. CONTINGENCIES:

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

12. ASSESSMENT DISTRICT BONDS:

During the fiscal year ended June 30, 2004, the City issued Limited Obligation Refunding Improvement bonds in the amount of \$2,750,000 to redeem and defease the outstanding bonds for its Citywide Street Assessment District No. 1. Under California State law, a governmental agency is not liable for defaults on special assessment district act bonds. The City acts solely as an agent for those paying the assessments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit, nor taxing power of the City is pledged to the payment of the bonds. Therefore, such bonds are not a liability of the City of La Habra Heights and are not included in the accompanying financial statements.

The outstanding balance on the Citywide Street Assessment District No. 1, Series 2003 Bonds at June 30, 2012, is \$1,175,000.

**This page intentionally left blank**



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF LA HABRA HEIGHTS  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 1,858,500	\$ 1,944,700	\$ 1,865,186	\$ (79,514)
Licenses and permits	126,200	177,170	187,849	10,679
Fines and penalties	49,000	32,900	25,033	(7,867)
Intergovernmental revenues	50,400	5,000	10,000	5,000
Investment earnings	30,000	35,400	20,109	(15,291)
Charges for services	356,600	413,270	466,149	52,879
Fees and other revenues	256,800	212,299	237,909	25,610
<b>TOTAL REVENUES</b>	<b>2,727,500</b>	<b>2,820,739</b>	<b>2,812,235</b>	<b>(8,504)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	902,700	842,509	843,262	(753)
Public safety	847,900	650,366	648,619	1,747
Public works	350,400	385,209	323,993	61,216
Community development	545,200	561,840	606,488	(44,648)
Parks and recreation	30,100	40,740	31,411	9,329
Capital outlay	38,700	115,106	81,978	33,128
<b>TOTAL EXPENDITURES</b>	<b>2,715,000</b>	<b>2,595,770</b>	<b>2,535,751</b>	<b>60,019</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>12,500</b>	<b>224,969</b>	<b>276,484</b>	<b>51,515</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	11,700	132,860	100,000	(32,860)
Transfers out	(214,700)	(367,032)	(289,096)	77,936
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(203,000)</b>	<b>(234,172)</b>	<b>(189,096)</b>	<b>45,076</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(190,500)</b>	<b>(9,203)</b>	<b>87,388</b>	<b>96,591</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>5,546,038</b>	<b>5,546,038</b>	<b>5,546,038</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 5,355,538</b>	<b>\$ 5,536,835</b>	<b>\$ 5,633,426</b>	<b>\$ 96,591</b>

See independent auditors' report.

CITY OF LA HABRA HEIGHTS  
 BUDGETARY COMPARISON SCHEDULE  
 FIRE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 2,554	\$ 2,554
Fees and other revenues	-	-	9,578	9,578
Special assessments	1,001,800	983,806	967,351	(16,455)
<b>TOTAL REVENUES</b>	<b>1,001,800</b>	<b>983,806</b>	<b>979,483</b>	<b>(4,323)</b>
EXPENDITURES:				
Current:				
Public safety	1,068,800	1,072,646	984,387	88,259
Debt service:				
Principal retirement	57,700	252,642	252,642	-
Interest	-	25,550	25,550	-
<b>TOTAL EXPENDITURES</b>	<b>1,126,500</b>	<b>1,350,838</b>	<b>1,262,579</b>	<b>88,259</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(124,700)</b>	<b>(367,032)</b>	<b>(283,096)</b>	<b>83,936</b>
OTHER FINANCING SOURCES				
Transfers in	124,700	367,032	283,096	(83,936)
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditors' report.

CITY OF LA HABRA HEIGHTS  
 BUDGETARY COMPARISON SCHEDULE  
 PARK GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 150,000	\$ -	\$ (150,000)
EXPENDITURES:				
Current:				
Parks and recreation	-	-	11,899	(11,899)
Capital outlay	-	150,000	57,500	92,500
TOTAL EXPENDITURES	-	150,000	69,399	80,601
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(69,399)	(69,399)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(8,821)	(8,821)	(8,821)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (8,821)	\$ (8,821)	\$ (78,220)	\$ (69,399)

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING:

Budgeted revenue and expenditure amounts shown represent the City's originally adopted legal budget adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts reported, as adjusted, for the governmental funds of the City are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts and projects entered into by the City are subject to annual review by the City Council; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Supplemental appropriations, where required during the period, are also approved by the Council. The City Manager is authorized to transfer the appropriations within the same function. During the year, several supplementary appropriations were necessary. At fiscal year-end operating budget appropriations lapse, except for continuing appropriations, which are carried over to the next fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (GAAP). Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items. However, there was no budget adopted for the Storm Damage Special Revenue Fund in the current year.

See independent auditors' report.

**This page intentionally left blank**

**SUPPLEMENTARY INFORMATION**

**This page intentionally left blank**



## **OTHER GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

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

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

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

Proposition C Fund -As “Proposition C” increased the sales tax in Los Angeles County by one-half percent (.5%), this fund accounts for financial activity relative to the City’s share of these monies. “Proposition C” revenues are to be used for public transportation purposes.

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

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

Measure R Fund - Accounts for Los Angeles County special ½ cent transportation sales tax which became effective July 1, 2009. These funds may be used only for certain transportation purposes.

EECBG Fund - Accounts for distribution and use of funds provided by the Energy Efficiency and Conservation Block Grant (created by the American Recovery and Reinvestment Act) to provide for the creation of new clean energy jobs through investments in building efficiency, community scale renewable energy, and other projects that save energy.

**This page intentionally left blank**

**OTHER GOVERNMENTAL FUNDS (CONTINUED)**

**CAPITAL PROJECTS FUND**

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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

CITY OF LA HABRA HEIGHTS  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2012

		Special Revenue Funds	
		State Gas Tax	Proposition A
ASSETS			
Cash and investments		\$ 71,573	\$ 34,760
Accounts receivable		-	-
		-	-
TOTAL ASSETS		\$ 71,573	\$ 34,760
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ 4,620	\$ 6,746
Accrued expenses		4,760	266
Due to other funds		-	-
		-	-
TOTAL LIABILITIES		9,380	7,012
FUND BALANCES:			
Restricted:			
Transportation		62,193	27,748
Public safety		-	-
Air quality improvement		-	-
		-	-
TOTAL FUND BALANCES		62,193	27,748
TOTAL LIABILITIES AND FUND BALANCES		\$ 71,573	\$ 34,760

See independent auditors' report.

Special Revenue Funds (Continued)

Air Quality Improvement (AQMD)	Proposition C	Supplemental Law Enforcement Services	Law Enforcement Equipment Program	Measure R
\$ 23,892	\$ 32,270	\$ 113,295	\$ 14,279	\$ 52,918
-	-	-	-	5,463
<u>\$ 23,892</u>	<u>\$ 32,270</u>	<u>\$ 113,295</u>	<u>\$ 14,279</u>	<u>\$ 58,381</u>
\$ -	\$ 6,270	\$ -	\$ -	\$ -
-	266	-	-	-
-	-	-	-	-
-	6,536	-	-	-
-	25,734	-	-	58,381
-	-	113,295	14,279	-
23,892	-	-	-	-
<u>23,892</u>	<u>25,734</u>	<u>113,295</u>	<u>14,279</u>	<u>58,381</u>
<u>\$ 23,892</u>	<u>\$ -</u>	<u>\$ 113,295</u>	<u>\$ 14,279</u>	<u>\$ 58,381</u>

(Continued)

CITY OF LA HABRA HEIGHTS  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 (CONTINUED)

For the year ended June 30, 2012

		<u>Special Revenue Funds (Continued)</u>	
		<u>EECBG</u>	<u>Total Special Revenue Funds</u>
ASSETS			
Cash and investments		\$ -	\$ 342,987
Accounts receivable		32,860	38,323
		<u>32,860</u>	<u>38,323</u>
TOTAL ASSETS		<u>\$ 32,860</u>	<u>\$ 381,310</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ -	\$ 17,636
Accrued expenses		-	5,292
Due to other funds		32,860	32,860
		<u>32,860</u>	<u>32,860</u>
TOTAL LIABILITIES		<u>32,860</u>	<u>55,788</u>
FUND BALANCES:			
Restricted:			
Transportation		-	174,056
Public Safety		-	127,574
Air quality improvement		-	23,892
		<u>-</u>	<u>325,522</u>
TOTAL FUND BALANCES		<u>-</u>	<u>325,522</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 32,860</u>	<u>\$ 381,310</u>

See independent auditors' report

<u>Capital Projects Fund</u>	<u>Total Other Governmental Funds</u>
<u>Road Maintenance District #4</u>	
\$ 686,565	\$ 1,029,552
-	38,323
<u>\$ 686,565</u>	<u>\$ 1,067,875</u>
\$ 10,305	\$ 27,941
-	5,292
-	32,860
<u>10,305</u>	<u>66,093</u>
676,260	850,316
-	127,574
-	23,892
<u>676,260</u>	<u>1,001,782</u>
<u>\$ 686,565</u>	<u>\$ 1,067,875</u>

CITY OF LA HABRA HEIGHTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	<u>Special Revenue Funds</u>	
	<u>State Gas Tax</u>	<u>Proposition A</u>
REVENUES:		
Intergovernmental revenues	\$ 177,946	\$ 90,030
Investment earnings	157	126
Charges for services	-	855
Special assessments	-	-
	<u>178,103</u>	<u>91,011</u>
TOTAL REVENUES	178,103	91,011
EXPENDITURES:		
Current:		
Public works	<u>117,192</u>	<u>163,192</u>
	<u>60,911</u>	<u>(72,181)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,911	(72,181)
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	60,911	(72,181)
FUND BALANCES - BEGINNING OF YEAR	<u>1,282</u>	<u>99,929</u>
FUND BALANCES - END OF YEAR	<u>\$ 62,193</u>	<u>\$ 27,748</u>

See independent auditors' report.



Special Revenue Funds (Continued)

Air Quality Improvement (AQMD)	Proposition C	Supplemental Law Enforcement Services	Law Enforcement Equipment Program	Measure R
\$ -	\$ 74,844	\$ 111,640	6,259	\$ 55,646
55	111	402	38	78
5,046	12,810	-	-	-
-	-	-	-	-
5,101	87,765	112,042	6,297	55,724
250	74,795	-	-	-
4,851	12,970	112,042	6,297	55,724
-	-	-	-	-
-	-	(100,000)	-	-
-	-	(100,000)	-	-
4,851	12,970	12,042	6,297	55,724
19,041	12,764	101,253	7,982	2,657
<u>\$ 23,892</u>	<u>\$ 25,734</u>	<u>\$ 113,295</u>	<u>\$ 14,279</u>	<u>\$ 58,381</u>

(Continued)

CITY OF LA HABRA HEIGHTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS  
(CONTINUED)

For the year ended June 30, 2012

	<u>Special Revenue Funds (Continued)</u>	
	<u>EECBG</u>	<u>Total Special Revenue Funds</u>
REVENUES:		
Intergovernmental revenues	\$ 32,860	\$ 549,225
Investment earnings	-	967
Charges for services	-	18,711
Special assessments	-	-
	<hr/>	<hr/>
TOTAL REVENUES	32,860	568,903
EXPENDITURES:		
Current:		
Public works	38,860	394,289
	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<hr/> (6,000) <hr/>	<hr/> 174,614 <hr/>
OTHER FINANCING SOURCES (USES):		
Transfers in	6,000	6,000
Transfers out	-	(100,000)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	6,000	(94,000)
NET CHANGE IN FUND BALANCES	-	80,614
FUND BALANCES - BEGINNING OF YEAR	<hr/> -	<hr/> 244,908
FUND BALANCES - END OF YEAR	<hr/> <u>\$ -</u>	<hr/> <u>\$ 325,522</u>

See independent auditors' report

<u>Capital Projects Fund</u>	
Road Maintenance District #4	<u>Total Other Governmental Funds</u>
\$ -	\$ 549,225
1,256	2,223
-	18,711
<u>336,028</u>	<u>336,028</u>
337,284	906,187
<u>36,745</u>	<u>431,034</u>
<u>300,539</u>	<u>475,153</u>
-	6,000
<u>-</u>	<u>(100,000)</u>
<u>-</u>	<u>(94,000)</u>
300,539	381,153
<u>375,721</u>	<u>620,629</u>
<u>\$ 676,260</u>	<u>\$ 1,001,782</u>

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STATE GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 170,300	\$ 165,531	\$ 177,946	\$ 12,415
Investment earnings	100	70	157	87
TOTAL REVENUES	170,400	165,601	178,103	12,502
EXPENDITURES:				
Current:				
Public works	176,400	150,989	117,192	33,797
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,000)	14,612	60,911	46,299
FUND BALANCE - BEGINNING OF YEAR	1,282	1,282	1,282	-
FUND BALANCE - END OF YEAR	\$ (4,718)	\$ 15,894	\$ 62,193	\$ 46,299

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION A SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 78,000	\$ 88,000	\$ 90,030	\$ 2,030
Investment earnings	100	70	126	56
Charges for services	500	876	855	(21)
TOTAL REVENUES	78,600	88,946	91,011	2,065
EXPENDITURES:				
Current:				
Public works	170,900	181,694	163,192	18,502
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,300)	(92,748)	(72,181)	20,567
FUND BALANCE - BEGINNING OF YEAR	99,929	99,929	99,929	-
FUND BALANCE - END OF YEAR	\$ 7,629	\$ 7,181	\$ 27,748	\$ 20,567

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY IMPROVEMENT (AQMD) SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ -	\$ 40	\$ 55	\$ 15
Charges for services	7,100	7,000	5,046	(1,954)
TOTAL REVENUES	7,100	7,040	5,101	(1,939)
EXPENDITURES:				
Current:				
Public works	-	-	250	(250)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,100	7,040	4,851	(2,189)
FUND BALANCE - BEGINNING OF YEAR	19,041	19,041	19,041	-
FUND BALANCE - END OF YEAR	\$ 26,141	\$ 26,081	\$ 23,892	\$ (2,189)

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITON C SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 64,800	\$ 73,300	\$ 74,844	\$ 1,544
Investment earnings	-	60	111	51
Charges for services	10,000	13,000	12,810	(190)
TOTAL REVENUES	74,800	86,360	87,765	1,405
EXPENDITURES:				
Current:				
Public works	75,200	71,894	74,795	(2,901)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(400)	14,466	12,970	(1,496)
FUND BALANCE - BEGINNING OF YEAR	12,764	12,764	12,764	-
FUND BALANCE - END OF YEAR	\$ 12,364	\$ 27,230	\$ 25,734	\$ (1,496)

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SERVICES SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 11,700	\$ 100,000	\$ 111,640	\$ 11,640
Investment earnings	-	230	402	172
TOTAL REVENUES	11,700	100,230	112,042	11,812
OTHER FINANCING USES:				
Transfers out	(11,700)	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	-	230	12,042	11,812
FUND BALANCE - BEGINNING OF YEAR	101,253	101,253	101,253	-
FUND BALANCE - END OF YEAR	\$ 101,253	\$ 101,483	\$ 113,295	\$ 11,812

See independent auditors' report.



CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LAW ENFORCEMENT EQUIPMENT PROGRAM SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ 6,259	\$ 6,259
Investment earnings	-	30	38	8
TOTAL REVENUES	-	30	6,297	6,267
EXPENDITURES:				
Current:				
Public safety	8,000	8,000	-	8,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,000)	(7,970)	6,297	14,267
FUND BALANCE - BEGINNING OF YEAR	7,982	7,982	7,982	-
FUND BALANCE - END OF YEAR	\$ (18)	\$ 12	\$ 14,279	\$ 14,267

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 50,000	\$ 55,200	\$ 55,646	\$ 446
Investment earnings	-	24	78	54
TOTAL REVENUES	50,000	55,224	55,724	500
EXPENDITURES:				
Current:				
Public works	50,000	50,000	-	50,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	5,224	55,724	50,500
FUND BALANCE - BEGINNING OF YEAR	2,657	2,657	2,657	-
FUND BALANCE - END OF YEAR	\$ 2,657	\$ 7,881	\$ 58,381	\$ 50,500

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

EECBG SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 32,860	\$ 32,860	\$ -
EXPENDITURES:				
Current:				
Public works	-	32,860	38,860	(6,000)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(6,000)	(6,000)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	6,000	6,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	6,000	6,000
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROAD MAINTENANCE DISTRICT #4 CAPITAL PROJECTS FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ 100	\$ 600	\$ 1,256	\$ 656
Special assessments	345,000	338,512	336,028	(2,484)
TOTAL REVENUES	345,100	339,112	337,284	(1,828)
EXPENDITURES:				
Current:				
Public works	345,600	345,434	36,745	308,689
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(500)	(6,322)	300,539	306,861
FUND BALANCE - BEGINNING OF YEAR	375,721	375,721	375,721	-
FUND BALANCE - END OF YEAR	\$ 375,221	\$ 369,399	\$ 676,260	\$ 306,861

See independent auditors' report.

## **FIDUCIARY FUND**

Street Assessment District #1 Fund - Accounts for assets held by the City as trustee or agent for individuals, private organizations and other governmental units. This fund accounts for funds received and disbursed in relation to the Citywide Street Assessment District No. 1, Series 2003 Bonds, for which the City acts as agent.

CITY OF LA HABRA HEIGHTS

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

STREET ASSESSMENT DISTRICT #1 AGENCY FUND

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
ASSETS:				
Cash	\$ 425,235	\$ 18,107	\$ (3,281)	\$ 440,061
Receivables:				
Accounts	18,107	-	(18,107)	-
Restricted assets:				
Cash held by bond trustee	<u>192,500</u>	<u>-</u>	<u>-</u>	<u>192,500</u>
TOTAL ASSETS	<u>\$ 635,842</u>	<u>\$ 18,107</u>	<u>\$ (21,388)</u>	<u>\$ 632,561</u>
LIABILITIES:				
Due to bond holders	<u>\$ 635,842</u>	<u>\$ 18,107</u>	<u>\$ (21,388)</u>	<u>\$ 632,561</u>

See independent auditors' report.