CITY OF LOS ALAMITOS
Council Chamber
3191 Katella Ave., Los Alamitos CA 90720

BUDGET STANDING COMMITTEE AGENDA
SPECIAL MEETING

Monday, December 8, 2025 – 4:30 PM

NOTICE TO THE PUBLIC – This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.cityoflosalamitos.org once the agenda has been publicly posted.

Each matter on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "for information" or "for discussion" may also be the subject of an "action" taken by the Budget Standing Committee at the same meeting.

Any written materials relating to an item on this agenda submitted to the Budget Standind Committee after distribution of the agenda packet are available for public inspection online at www.cityoflosalamitos.org.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made.

1. CALL TO ORDER

ROLL CALL
Mayor Shelley Hasselbrink
Mayor Pro Tem Tanya Doby

2. ORAL COMUNICATIONS
At this time, any individual in the audience may come forward to speak on any item within the subject matter jurisdiction of the Budget Standard Committee. Remarks are to be limited to not more than five minutes per speaker.

3. CONSENT CALENDAR
All Consent Calendar items may be acted upon by one motion unless a Committee Member requests separate action on a specific item.

A. Minutes of the Special Meeting of November 3, 2025 (Finance)
Approve the minutes of the Budget Standing Committee Special Meeting of November 3, 2025.

4. DISCUSSION ITEM

A. Impacts of SB 707: Brown Act Modernization (Administration)

Senate Bill 707 (SB 707), signed into law in October 2025 and effective July 1, 2026, represents a substantial modernization of the Ralph M. Brown Act. The legislation introduces new requirements aimed at enhancing public access, transparency, and accessibility in local government meetings. As a result, the City will be required to implement several operational and procedural changes to ensure full compliance with the updated law.

Recommendation: Review, discuss, and provide input to Staff

B. Consideration of a Ballot Measure Regarding the Transit Occupancy Tax (TOT) (Finance)

Consideration of adding a ballot measure regarding the Transit Occupancy Tax (TOT) to the November 3, 2026, General Municipal Election.

Recommendation: Review, discuss, and provide input to Staff.

C. Purchase Policy Approval Authority and Cal Card Purchases (Finance)

Purchase Policy Approval Authority and Cal Card Purchases.

Recommendation: Review, discuss, and provide input to Staff.

D. Annual Comprehensive Financial Report for June 30, 2025 (Finance)

The fiscal year 2024-25 draft audit reports are presented for the Budget Standing Committee's review and consideration.

Recommendation: Review, discuss, and recommend forwarding to the City Council for receipt and filing.

E. Credit Cards for Council Member Travel (Finance)

Consider issuing credit cards for Council members to use for travel-related expenses.

Recommendation: Review, discuss, and provide input to Staff.

5. CLOSED SESSION

A. Conference with Labor Negotiator
City Negotiator: Chet Simmons, City Manager
Employee Organization: Executive Management, Non-Represented Employees
Authority: Government Code Section 54957.6

B. Conference With Labor Negotiator
City Negotiator: Chet Simmons, City Manager
Employee Organization: Teamsters Local 911
Authority: Government Code Section 54957.6

C. Conference With Labor Negotiator
City Negotiator: Chet Simmons, City Manager
Employee Organization: Police Officers Association
Authority: Government Code Section 54957.6

D. Public Employee Performance Evaluation
Title: City Manager
Authority: Government Code Section 54957

6. ITEMS FROM STAFF AND THE COMMITTEE

At this time, Committee Members and Staff may also report on items not specifically described on the Agenda that are of interest to the community, provided no action or discussion is taken except to provide Staff direction to report back or to place the item on a future Agenda.

7. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at the Los Alamitos City Hall, 3191 Katella Ave. and online at www.cityoflosalamitos.org not less than 72 hours prior to the meeting.

Craig Koehler, Finance Director
Dated: December 4, 2025.

MINUTES OF THE
BUDGET STANDING COMMITTEE
OF THE CITY OF LOS ALAMITOS

SPECIAL MEETING

Monday, November 3, 2025 – 4:30 p.m.

1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 4:31 p.m. on Monday, October 6, 2025, with Mayor Hasselbrink and Mayor Pro Tem Doby presiding.

2. ROLL CALL

Present:	Committee Members:	Mayor Hasselbrink Mayor Pro Tem Doby
Absent:	Committee Members:	None
Present:	Staff:	Chet Simmons, City Manager Ron Noda, Assistant City Manager Craig Koehler, Finance Director/City Treasurer Barbara Biscocho, Finance Manager Matt Lighter, Management Analyst

3. Oral Communications

None.

4. CONSENT CALENDAR

A. Approval of Minutes

Motion/Second: Doby?Hasselbrink
Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting of October 6, 2025.

5. DISCUSSION ITEMS

A. Items for Future consideration.

The Budget Standing Committee discussed items for future consideration.

The Budget Standing Committee adjourned the meeting to go into Closed Session at 4:46 p.m.

7. CLOSED SESSION

A. CONFERENCE WITH LABOR NEGOTIATOR (Administration)

City Negotiator Chet Simmons, City Manager
Employee Organization: Teamsters Local 911
Authority: Government Code Section 54957.6

B. CONFERENCE WITH LABOR NEGOTIATOR (Administration)

City Negotiator Chet Simmons, City Manager
Employee Organization: Executive Management, Non-Represented
Authority: Government Code Section 54957.6

C. CONFERENCE WITH LABOR NEGOTIATOR (Administration)

City Negotiator Chet Simmons, City Manager
Employee Organization: Police Officers Association
Authority: Government Code Section 54957.6

8. ADJOURNMENT

The meeting was adjourned at 5:10 p.m. with no reportable action.

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Craig Koehler, Finance Director

City of Los Alamitos
BUDGET STANDING COMMITTEE AGENDA REPORT

MEETING DATE: December 8, 2025 **ITEM NUMBER: 5A**

To: **Budget Standing Committee Members**

Presented By: **Windmera Quintanar, City Clerk**

Subject: **Impacts of SB 707: Brown Act Modernization**

SUMMARY

Senate Bill 707 (SB 707), signed into law in October 2025 and effective July 1, 2026, represents a substantial modernization of the Ralph M. Brown Act. The legislation introduces new requirements aimed at enhancing public access, transparency, and accessibility in local government meetings. As a result, the City will be required to implement several operational and procedural changes to ensure full compliance with the updated law.

RECOMMENDATION

Review, discuss, and provide input to the Staff.

BACKGROUND

Senate Bill (SB) 707 requires cities to provide opportunities for members of the public to participate in meetings remotely, translate agendas into other languages, and assist members of the public with the translation of meeting materials. The bill also allows city council and other legislative body members with a disability to participate remotely in meetings as a reasonable accommodation for their disability, without having to comply with traditional or alternative teleconferencing rules, revises the existing alternative teleconferencing rules for emergencies and just cause, and makes other notable changes to the Brown Act. This report summarizes the most significant proposed changes to the Brown Act.

DISCUSSION

NEW RULES THAT WOULD APPLY TO CITIES, COUNTIES, AND LARGE SPECIAL DISTRICTS (i.e., “ELIGIBLE LEGISLATIVE BODIES”) ONLY

The following provisions of SB 707 apply to an “Eligible Legislative Body,” which includes the City Council. These provisions would take effect beginning July 1, 2026.

Providing an Opportunity for Remote Public Access to and Participation in Meetings

• Beginning July 1, 2026, with limited exceptions, the City will be required to provide an opportunity for members of the public to attend all City Council meetings and provide public comment via either two-way telephonic service or a two-way audiovisual platform, unless adequate telephonic or internet service is not operational at the meeting location.

• If the City elects to provide a two-way audiovisual platform, it must also publicly post and provide a call-in option and activate any automatic captioning function during the meeting if an automatic captioning function is included with the two-way audiovisual platform.

• In the event that there is a disruption to internet or telephonic service that obstructs the two-way platform, the City Council must recess the open session for at least one hour and make a good faith attempt to restore the service. The City Council may not reconvene until after one hour or the telephonic/internet service is restored. Upon reconvening the open session, if telephonic or internet service has not been restored, the City Council must make a finding by rollcall vote that good faith efforts were made to restore the telephonic/internet service and that the public interest in continuing the meeting outweighs the public interest in remote access.
• By July 1, 2026, the City Council must approve a policy regarding disruption of telephonic/internet service occurring during meetings, which must address the procedures for recessing and reconvening a meeting in the event of disruption and the efforts that the City shall make to attempt to restore the service. This policy may not be adopted on the consent calendar.

Translation Assistance at Meetings
• The City must "reasonably assist" any member of the public who wishes to translate a City Council meeting or wishes to receive interpretation provided by another member of the public. Reasonable assistance may include (1) arranging space for interpreters at the meeting location, (2) allowing extra time during the meeting for interpretation, or (3) ensuring participants may use personal equipment or reasonably access commercially available interpretation services. The provisions described in this Section would only apply to an "Eligible Legislative Body" or "ELB," which is defined to include (1) the city council of a city with more than 30,000 people or in a county with more than 600,000 people; (2) the board of supervisors of a county with more than 30,000 people; or (3) the board or directors of a special district with an internet website, and that meets any of the following conditions: (a) the boundaries of the special district include the entirety of a county with a population of 600,000 or more, and the special district has over 200 full-time equivalent employees; (b) the special district has over 1,000 full-time equivalent employees; or (c) the special district has more than $400,000,000 in revenue and 200 full-time equivalent employees.
• The City is not required to provide its own interpretation of meetings, but may elect to.
• The City must publicize instructions on how to request translation assistance.

Translation of Agendas
• The City must translate each City Council meeting agenda into all languages spoken jointly by 20% or more of the City's population, provided that 20% or more of the population speaks English "less than 'very well,'" and post each translated agenda in the same manner as the agenda printed in English. This requirement applies only to the agenda itself, not the entire agenda packet.
• The City must provide a physical location in reasonable proximity to the physical location in which the agenda is posted to allow members of the public to post their own additional translations of the agenda.

Additional Required Actions to Encourage Residents from Underrepresented and Non-English Speaking Communities to Participate in Meetings
• The City must have in place a system for electronically accepting and fulfilling requests for meeting agendas and documents through email or through an integrated agenda management platform and must provide information about how to make a request using this system accessible through a prominent direct link posted on the City's primary internet website home page.

• The City must create and maintain an accessible internet webpage dedicated to public meetings that includes, or provides a link to, all of the following information: (1) a general explanation of the public meeting process for the City Council; (2) an explanation of the procedures for a member of the public to provide in-person or remote oral public comment during a public meeting or to submit written public comment; (3) a calendar of all public meeting dates with calendar listings that include the date, time, and location of each public meeting; and (4) the agenda posted online. This webpage must be translated into all languages spoken jointly by 20% or more of the City's population, provided that 20% or more of the population speaks English "less than 'very well,'" and each translation must be accessible through a prominent direct link posted on the primary internet website home page of the City.
• The City must make reasonable efforts, as determined by the City Council, to invite groups that do not traditionally participate in public meetings to attend those meetings. Such groups may include, but are not limited to, all the following: (1) media organizations that provide news coverage in the City, including media organizations that serve non-English-speaking communities; and (2) good government, civil rights, civic engagement, neighborhood, and community group organizations, or similar organizations that are active in the jurisdiction of the eligible legislative body, including organizations active in non-English-speaking communities.

CHANGES TO THE BROWN ACT THAT WOULD APPLY TO ALL LOCAL AGENCIES
SB 707 would make the following changes to the Brown Act that would apply to all local agencies.

Legislative Body Members Could Participate Via Teleconference Due to a Disability
• A member of a legislative body with a disability would be permitted to participate in a meeting by remote participation as a reasonable accommodation, without having to post an agenda at, or to allow public access to, the location from which they are participating by teleconference.
• The member participating remotely due to a disability would be required to participate by both audio and video (unless their physical condition results in a need to participate off camera) and would be required disclose whether anyone 18 years of age or older are present in the room and the member's relationship to those individuals.
• Remote participation under this provisions would be treated as in-person attendance for all purposes, including quorum requirements.

Changes to Alternative Teleconferencing Provisions
SB 707 would revise, recast, and expand the Brown Act's existing alternative teleconferencing provisions (i.e., just cause, state of emergency teleconferencing, etc.). These changes include, but are not limited to, the following:
• The sunset date of the alternative teleconference provisions would be extended from January 1, 2026 to January 1, 2030.
• The bill would establish a uniform set of requirements that would apply in all circumstances in which members of a legislative body are permitted to participate in a meeting from a remote location via teleconference without posting an agenda at or allowing public access to their teleconference location. These uniform requirements are substantially similar to the existing requirements that apply to teleconferencing during a proclaimed state of emergency and for "just cause" and "emergency circumstances" and require in most instances that the local agency provide either (1) a two-way audiovisual platform or (2) a two-way telephonic service and a live webcasting of the meeting for the public to remotely hear and visually observe the

meeting, that the agenda describe how the public may access the meeting, and that the legislative body take no further action on any items on the agenda if remote access is disrupted and not restored.

• Remote participation under the alternative teleconferencing provisions would once again be allowed during “local emergencies,” in addition to states of emergency proclaimed by the Governor.

FISCAL IMPACT

Under review.

Attachment: None

City of Los Alamitos
BUDGET STANDING COMMITTEE AGENDA REPORT

MEETING DATE: December 8, 2025 **ITEM NUMBER: 5B**

To: **Budget Standing Committee Members**

Presented By: **Craig Koehler, Director of Finance**

Subject: **Consideration of a Ballot Measure Regarding the Transit Occupancy Tax (TOT)**

SUMMARY

Consideration of adding a ballot measure regarding the Transit Occupancy Tax (TOT) to the November 3, 2026, General Municipal Election.

RECOMMENDATION

Review, discuss, and provide input to Staff.

BACKGROUND

The City's current TOT rate is 8% and is collected from the three hotels within the City boundaries (Fairfield Inn & Suites by Marriott, Best Western, and Don's Turf Motel).

DISCUSSION

The City's recorded TOT for FY24/25 was $581,033 (draft audit). Based on this amount, a 1% increase would generate approximately $73,000 in additional TOT revenue. For comparison, other surrounding jurisdictions have similar rates as follows: Seal Beach 12%, Cypress 10%, Long Beach 13%, and Stanton 12%.If the City considers increasing the TOT rate, a ballot measure would be needed for the next general election.

FISCAL IMPACT

A 1% increase would generate approximately $73,000 in additional TOT revenue. The estimated cost for the November 2026 Consolidated General Election, Districts 4 & 5, with one measure, would be $13,971 to $23,567.

Attachment: None

City of Los Alamitos
BUDGET STANDING COMMITTEE AGENDA REPORT

MEETING DATE: December 8, 2025 **ITEM NUMBER: 5C**

To: **Budget Standing Committee Members**

Presented By: **Craig Koehler, Director of Finance**

Subject: **Purchase Policy Approval Authority and Cal Card Purchases**

SUMMARY

Purchase Policy Approval Authority and Cal Card Purchases.

RECOMMENDATION

Review, discuss, and provide input to Staff.

BACKGROUND

The Purchase Policy establishes a list of position titles authorized to procure goods and services, along with their respective signature approval limits, as permitted by Los Alamitos Municipal Code Section 2.60, Purchasing System. Cal Card purchases for supplies, equipment, and services are allowed under LAMC Section 2,60 and cannot exceed $2,500. If purchases exceed the $2,500 limit, a Purchase Order is required. Approval authority levels are established under (LAMC Sec. 2.60). Increasing the single purchase limit for certain positions will create greater flexibility in facilitating purchases and more efficiency for operations. When the single purchase limit exceeds $2,500, a purchase order will be required to ensure compliance with the Municipal Code.

DISCUSSION

The current structure for threshold limits the City's ability to efficiently manage operational and emergency needs that require more timely purchases. Increasing the limits and adding additional approval levels will streamline purchasing processes and reduce delays for both routine and urgent expenditures, while providing department leadership with more flexibility to manage operational priorities within approved purchase authority levels and budgets.

The following purchase authority changes are recommended for single purchases:

Single purchase authority of $10,000
City Manager
Assistant City Manager
Chief of Police

Single purchase authority of $5,000
Director of Rec & Comm Services/Intergovernmental Affairs
Director of Finance/City Treasurer

Director of Communications/City Clerk

All purchases made under the revised threshold and approval levels will continue to adhere to established procurement policies, documentation requirements, and budgetary controls, ensuring transparency and accountability.

Additional changes are being recommended to the list of position titles authorized to procure goods and services, along with their respective signature approval limits, as permitted by Los Alamitos Municipal Code Section 2.60, Purchasing System, as below:

- Directos $20,000
- Deputy Directors $10,000
- Managers $5,000

All other established approval thresholds would remain unchanged.

FISCAL IMPACT

The current structure for threshold limits the City's ability to efficiently manage operational and emergency needs that require more timely purchases. Increasing the limits and adding additional approval levels will streamline purchasing processes and reduce delays for both routine and urgent expenditures, while providing department leadership with more flexibility to manage operational priorities within approved purchase authority levels and budgets.

Attachment: 1. Admin 5.02 - Purchasing Authority Threshold Policy

City of Los Alamitos
Administrative Regulation

Regulation:	**5.02**
Title**:**	**Purchasing Authority Thresholds Policy**
Authority:	**City Manager per LAMC Section 2.60**
Date:	**June 9, 2025**
Revised:	**Chet Simmons, City Manager**

1. INTENT AND PURPOSE

The purpose of this policy is to summarize the purchasing procedures and establish a list of position titles authorized to procure goods and services and their respective signature approval limits as allowed by Los Alamitos Municipal Code Section 2.60, Purchasing System.

2. APPLICATION

This policy applies to all purchases conducted by staff for the City of Los Alamitos.

3. AUTHORITY

All other procurement policies outlined within the City Charter and the Los Alamitos Municipal code must be followed in conjunction with this regulation.

Section 2.60, Purchasing System prescribes the following purchase requirements:

Supplies, Equipment, and Services		
Allowed Expenses	**Threshold**	**Approval**
Cal-Card Purchases (§2.60.130)	Less than $2,500	Department Director
Purchase Order Required	More than $2,500	
Open Market (§2.60.080)	Up to $10,000	Department Director
Informal Purchases (§2.60.090)	Up to $10,000	Department Director
	Up to $40,000	Deputy City Manager
	Up to $100,000	City Manager
Professional Services (§2.60.150)	Up to $100,000	City Manager
Formal Purchases (§2.60.100)	More than $100,000	City Council
*The Budget Standing Committee must be notified of all purchases over $80,000		

- **Cal-Card:** Purchases of supplies and equipment can be purchased by any city department that maintains a city-issued credit card and may make purchases with such credit card of less than $2,500. (§2.60.130).

- **Purchase Order:** A purchase order is required for any total purchase of $2,500 or more. LAMC 2.60.020 defines a purchase order as a written authorization by the issuing party for the recipient to provide labor, materials or services for which the issuing party agrees to pay.

    - A Purchase Requisition Form is required to open any purchase order. This is meant to standardize the Purchase Order process and enhance the workflow of all department interactions with the Finance Department.

    - It is recommended to use quotes for best practices, and backup documentation should adequately support the purchase, including a simplified contract where necessary.

  In addition to the required Purchase Requisition Form, the following types of backup material must be submitted for purchases of over $10,000. Backup materials prove that the purchasing policy was followed.

    - A minimum of three (3) quotes, contracts, or emails explaining the services that will be provided. No vendor signatures are required.

    - Purchase Order Agreement: Simplified agreement for one-day events and purchase of supplies. Requires signatures from all parties.

    - Full Contract: Refer to Administrative Regulation 1.16, Contract Approval.

- **Open Market:** Purchases of supplies, equipment, or non-professional services up to $10,000 may use the Open Market. (§2.60.080)

- **Informal Bidding:** Any purchases that are more than $10,000 but less than $100,000 are Informal Purchases. Purchase order required. (§2.60.090)

- **Budget Standing Committee Notification:** Any purchase that exceeds $80,000 but is less than $100,000 (§2.60.150(b))

- **Formal Bidding:** All purchases above $100,000 must follow formal bidding procedures and receive City Council approval. Purchase Order required. (§2.60.100)

4. AUTHORIZED DESIGNEES AND LIMITS (§ 2.60.050)

All procurements must have written authorization from City Council and/or from one of the authorized designees listed below, based on the total dollar amount of the intended purchase:

Duly Authorized Position	Authorization Limit
City Manager	$ 100,000
Deputy City Manager	$ 40,000
Department Director	$ 10,000

5. EXCEPTIONS

Exceptions are the following routine expenses appropriated by the adopted budget: payroll, employee benefits, and payroll related expenses; power, water, gas, cable, and telephone utilities; payments to other government agencies; and debt payments.

City of Los Alamitos

BUDGET STANDING COMMITTEE AGENDA REPORT

MEETING DATE: December 8, 2025 **ITEM NUMBER: 5D**

To: **Budget Standing Committee Members**

Presented By: **Craig Koehler, Director of Finance**

Subject: **Annual Comprehensive Financial Report for June 30, 2025**

SUMMARY

The fiscal year 2024-25 draft audit reports are presented for the Budget Standing Committee's review and consideration.

RECOMMENDATION

Review, discuss, and recommend forwarding to the City Council for receipt and filing.

BACKGROUND

Each year an independent audit of the City is conducted in conformity with *generally accepted auditing standards* (GAAS). Those standards require that an independent Certified Public Accountant plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The auditor also expresses an opinion on the fairness of the presentation of the financial position and the results of operations of the government's basic financial statements in conformity with *generally accepted accounting principles* (GAAP).

DISCUSSION

The Government Finance Officers Association (GFOA) awarded the City a Certificate of Achievement for Excellence in Financial Reporting for its annual comprehensive financial report (ACFR) for the fiscal year ending June 30, 2024. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The award is valid for a period of one year only. Staff believes that the current fiscal year 2024-25 ACFR continues to meet the award program's requirements and will be resubmitted to the GFOA for consideration. The report review included internal staff and additional reviews by the audit firm's partners.

The resulting draft audit report, Financial Statements — Annual Comprehensive Financial Report (ACFR), is attached, along with the accompanying letters: Auditor's Management Comment Letter (GAGAS), and Report on Internal Controls, and Communication (SAAS 114).

<u>Management Comment Letter (GAGAS)</u>
2025-001 Excess Expenditures Beyond Appropriations
Management discussed this with the auditor and provided explanations for the variances. Largely, these overages were due to additional authorized contractual expenditures that were

not contemplated when the budget was originally prepared. In advance of this audit, an additional budgeting tool has already been implemented for FY25-26, whereby a quarterly review of budget-to-actual expenditures is presented to the Council and departments to assist in tracking their respective departmental expenditures. Earlier detection of variances will be beneficial in monitoring department expenditures to avoid excess expenditures beyond appropriations and allow for more timely adjustments if additional appropriations are needed and warranted.

Report on Internal Controls (SAAS 114)
No findings.

FISCAL IMPACT

None.

Attachment:
1. DRAFT Financial Statements - Los Alamitos (002).pdf 12.1.25
2. GAGAS Report Draft.docx-ck edits
3. Post SAS 114 Template Draft

CITY OF Los Alamitos California

DRAFT
Subject to Change

My City ♥ My Los Al

ANNUAL COMPREHENSIVE

FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2025

City of Los Alamitos

Los Alamitos, California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

Prepared by the
Finance Department of Los Alamitos

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CITY OF
Los Alamitos
California

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11/17/25

HONORABLE MAYOR, MEMBERS OF THE CITY COUNCIL, AND CITIZENS

I am pleased to submit the City of Los Alamitos, California's (the City) Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2025.

This report comprises management's representations regarding the City's finances. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the costs of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The City's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP, a certified public accounting firm. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2025. The independent auditor's report is presented as the first component of the financial section of this report.

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

City of Los Alamitos Profile

The City of Los Alamitos, with a population of 11,988, spans 4.3 square miles and is located in the northwest part of Orange County. The City is strategically located in Southern California, 30 miles from downtown Los Angeles and 10 miles from Anaheim. The City is 10 miles northeast of the seaport terminal of Long Beach, and 13 miles northeast of the Port of Los Angeles. Neighboring communities include Long Beach, Seal Beach, Cypress, and Garden Grove.

The City of Los Alamitos is a Charter City and was incorporated on March 1, 1960. The City has a Council-Manager form of government. The City Council comprises five members elected biannually to four-year alternating terms. The City Council annually elects a Mayor from its members. The City Council appoints the City Manager, who is responsible for the day-to-day administration and management of City business within all City departments. The City of Los Alamitos employs a staff of forty-eight budgeted full-time employees. The City has contracts with Woodruff & Smart for city attorney services and Liebert Cassidy Whitmore for legal services related to labor and employment law.

The City of Los Alamitos provides many services, including police protection, construction and maintenance of streets and other infrastructure, public improvements, planning and zoning, economic development, recreational activities, cultural events, and general administrative and support services.

The annual budget serves as the foundation for the City's financial planning and control. The City Council holds public hearings and adopts an annual budget resolution for all funds. Adoption of the annual budget must occur before the end of the prior fiscal year. The City Council may modify appropriations with majority approval. The budgets are adopted and presented on a basis consistent with generally accepted accounting principles.

Changes in budget appropriations at the fund level during the year must be approved by the City Council. The legal level of expenditure is controlled at the department level, and appropriations lapse at the end of each fiscal year unless encumbered for re-appropriation by the City Council in the following fiscal year. The City Manager may, without Council approval, amend individual line items within any department and between divisions and programs in the personnel costs, maintenance and operations, capital outlay, and capital projects portions of the budget, provided that total appropriations for any fund are not increased.

Budget Overview/Economic Outlook

A conservative approach was used in preparing this year's biennial budget, which included information gathered from various sources, including HdL, Beacon Economics, and the U.S. Treasury. The new budget is like previous budget years, in that uncertainty exists in the economy and global markets. The addition of recent tariffs and the resulting tariff war have also added a layer of complexity to an already uncertain future.

The new tariff policies are more widespread and sweeping than we have seen before. Port cargo shipments have already slowed, which will result in lower inventory levels across the board, reduced selection for consumers, and may lead to higher prices. Despite these overriding concerns, the budget is structurally balanced and strategically positioned to weather any potential economic shifts. The City of Los Alamitos remains a model of fiscal strength and proactive governance. This budget reflects the stability Los Alamitos has built and the progress it intends to make.

The Fiscal Year 2025-26 annual operating budget is balanced with operating revenues of $29,112,751 and operating expenditures of $28,610,726, resulting in an estimated surplus of $502,025. This represents the fifth consecutive year the City has adopted a budget that includes a surplus. General fund balance reserves are projected to be $21,823,059 on June 30, 2026. The City Council reviews its Fund Balance Policy once the books have been closed for the prior year. The current reserve set aside includes $3.1 million for CalPERS reserves and $500,000 for other post-employment benefits (OPEB).

Long-Term Financial Planning and Major Initiatives

In addressing the City's Unfunded Accrued Pension Liability (UAL), the Council adopted Resolution 2022-23, PERS Unfunded Accrued Liability Pay-Down Funding Policy. The policy established additional discretionary payments (ADPs) of $260,000 annually, which are being applied to reduce the City's UAL. Additionally, the Council approved funding for the trust established with PARS at $50,000 per month. This funding is in addition to the already approved $260,000 annual ADP, which, combined with the trust funding, will accelerate the City's UAL paydown.

Future changes to UAL are somewhat uncertain, as CalPERS is currently conducting an experience study (ALM) that is scheduled to take effect on July 1, 2026. The 2021 study reflected changes in assumptions, including a reduced discount rate assumption from 7.0% to 6.8%, a reduced inflation rate assumption from 2.5% to 2.3%, an increased employee wage growth assumption from 2.75% to 2.80%, and other demographic changes, all of which affect the UAL.

The current 2025 Experience Study may reflect additional potential changes due to persistent inflation, which is exerting upward pressure on the Wage Growth Assumption (2.8%) and downward pressure on the discount rate assumption (6.8%). In addition, mortality rates were higher during the COVID period, and U.S. trends suggest a significant improvement in mortality. All of which will impact the UAL.

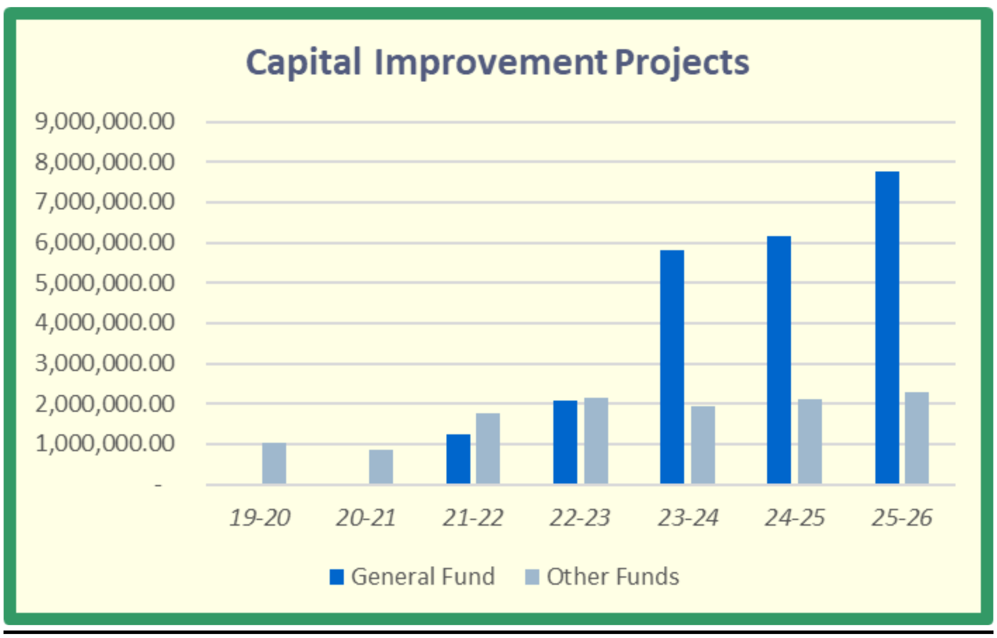
The adopted budget includes updates to the long-term financial model to provide a truer picture that reflects a healthy surplus going forward, as depicted below:

Long-Term Forecast

	1 Projection FY25-26	2 Estimate FY26-27	3 Estimate FY27-28	4 Estimate FY28-29	5 Estimate FY29-30
Revenues:					
Total Revenues	$ 29,112,751	$29,360,270	$ 29,656,454	$30,364,964	$30,135,337
Expenditures:					
Total Expenditures	28,610,726	28,944,271	29,114,799	29,954,321	29,600,805
Estimated Budget Surplus	**$ 502,025**	**$ 415,999**	**$ 541,655**	**$ 410,643**	**$ 534,531**

Capital Improvements

The Capital Improvement Program (CIP) comprises $3.8 million in multi-year (carryover) projects, which will be largely funded by the surplus from prior years and covered by maturing investments. The proposed CIP for FY25-26 is $10.0 million, of which $5.4 million is the General Fund. Funding will largely come from and, for the most part, align with investment maturity. In addition, projects totaling $2.1 million have been deferred to FY26-27. As shown below, is a six-year trend and projection of CIP, depicting funding from the General Fund vs. other funding sources.



Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded the City a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. The City received this award for publishing an easily readable and efficiently organized ACFR that satisfied both GAAP and applicable legal requirements.

This award is valid for a period of one year only. We believe that our current ACFR continues to meet the Program's requirements, and we are submitting it to the GFOA again this year.

The preparation and publication of this report would not have been possible without the dedication, professionalism, and teamwork of the entire staff of the Finance Department. The City Council has continued to provide its support to the Finance Department in planning responsible and progressive financial operations. We would like to express our gratitude to the Budget Standing Committee, the Mayor, and the City Council for their ongoing support in upholding the highest standards of professionalism in managing the City's finances.

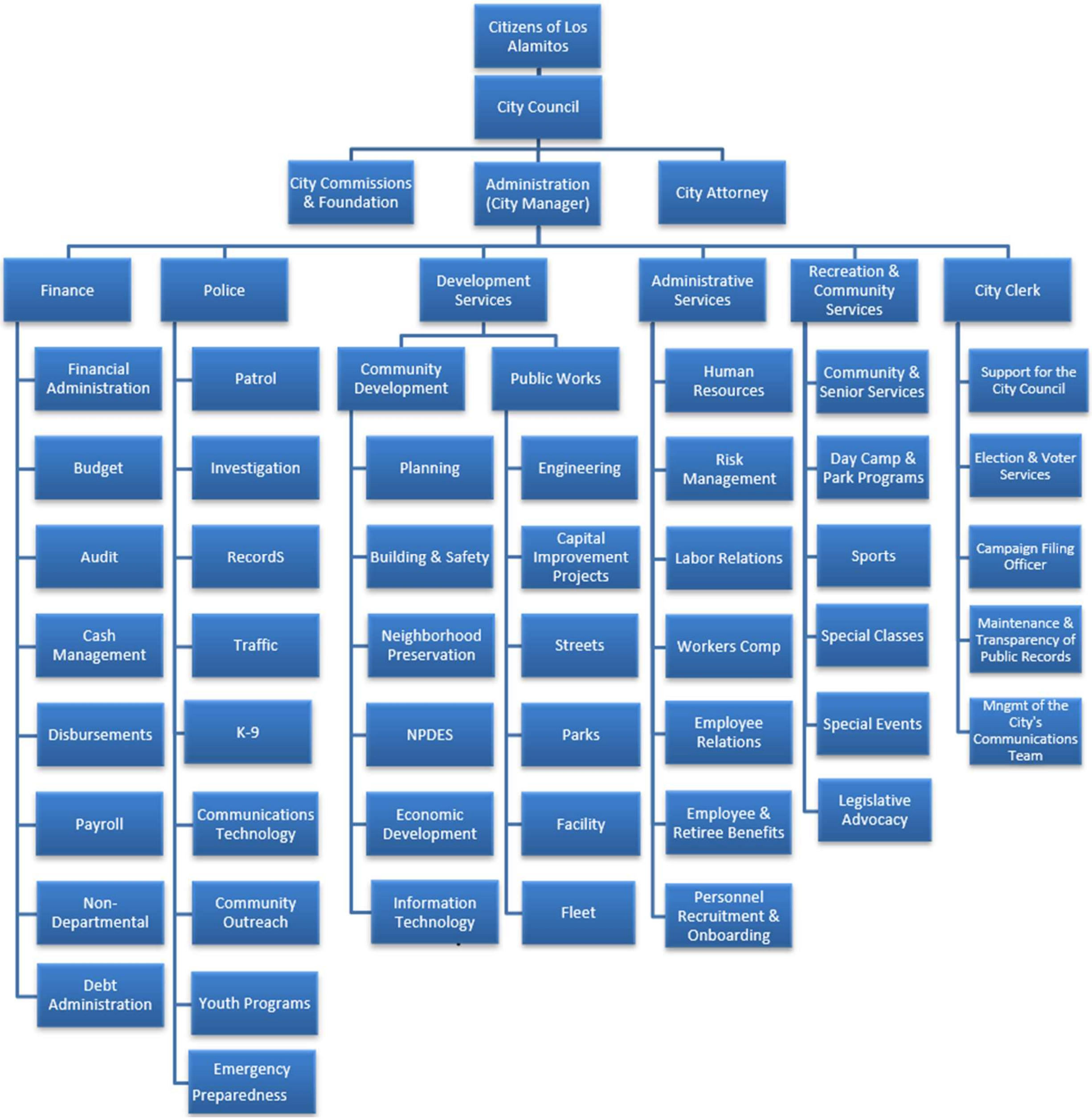
Respectfully submitted,

Craig Koehler

Craig Koehler
Finance Director, City Treasurer

CITY OF LOS ALAMITOS
Organization Chart

DRAFT
Subject to Change



-vi-

List of Principal Officials

City Council

Mayor Shelley Hasselbrink
Mayor Pro Tem Tanya Doby
Council Member Emily Hibard
Council Member Gary Loe
Council Member Jordan Nefulda

Appointed Officials

City Manager *Chet Simmons*
City Attorney *Michael S. Daudt*
City Treasurer *Craig Koehler*
City Clerk *Windmera Quintanar*

Executive Management

Deputy City Manager/Development Services Director *Ron Noda*
Chief of Police *Michael Claborn*
Finance Director *Craig Koehler*
Recreation and Community Services Director/
Director of Intergovernmental Affairs *Emeline Noda*
Director of Communications *Windmera Quintanar*
Administrative Services Manager *Chelsi Wilson*

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Los Alamitos California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Los Alamitos, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Los Alamitos (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements during the year ended June 30, 2025, the City adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections.* Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 combining and individual nonmajor fund financial statements and the nonmajor fund budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 basic 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 basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November XX, 2025 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 solely 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 effectiveness of the City's 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.

San Bernardino, California
November XX 2025

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The management of the City of Los Alamitos ("City") offers readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that is provided in our letter of transmittal, which can be found in the introductory section of this report and with the City's financial statements. The presentation of the City's financial data in this analysis and statements will differ from the City's budget, in that the analysis and statements are required to follow the Generally Accepted Accounting Principles (GAAP), whereas the City's budget is an operational financial plan for the upcoming fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows, and liabilities and deferred inflows, with the difference between being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, recreation and community services, and public works. The City has no business-type activities.

The Governmental Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are used to account for activities where the City needs to show the full costs of providing the services, including depreciation. The City maintains seven internal service funds.

The City uses internal service funds to account for its self-insured insurance programs, fleet of vehicles, equipment, technology upgrades and replacements and other capital related activities. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements. Internal service funds are presented as proprietary funds because internal service funds follow the accrual basis of accounting.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes.

Government-wide Financial Analysis

The tables below focus on the net position and changes in net position of the City's governmental activities.

CITY OF LOS ALAMITOS
Net Position
As of June 30,

	Governmental Activities	
	2025	2024
Current and other assets	$ 24,184,689	$ 29,710,756
Capital assets	32,671,129	26,231,544
Total assets	56,855,818	55,942,300
Deferred outflows of resources	9,608,991	11,371,719
Current liabilities	5,342,531	5,283,678
Noncurrent liabilities:		
Long-term debt	4,686,950	4,011,952
Total pension liability	26,746,392	27,303,254
Total OPEB liability	5,444,165	6,032,116
Total liabilities	42,220,038	42,631,000
Deferred inflows of resources	3,719,402	3,283,092
Net position:		
Net investment in capital assets	28,543,724	22,099,089
Restricted	2,828,421	2,434,219
Unrestricted	(10,846,776)	(3,133,381)
Total net position	$ 20,525,369	$ 21,399,927

The City's assets and deferred outflows exceeded liabilities and deferred inflows by $20,525,369 as of June 30, 2025, a decrease of $874,558 from June 30, 2024.

The largest portion of the City's net position reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Unrestricted net position had a deficit balance of $10,846,776 million as of June 30, 2025, which relates to the City's net pension liability and OPEB liability.

The City has set aside $2.5 million for its unfunded pension liability and $600,000 for its OPEB liability. However, funding commenced in FY 24/25 towards the unfunded pension liability since these funds are held in an irrevocable trust the net pension liability has been reduced to account for these funds that have been set aside. A condensed summary of activities for the period ended June 30, 2025, and the prior fiscal year is illustrated in the table below.

CITY OF LOS ALAMITOS
Changes in Net Position
For the Year Ended June 30,

	Governmental Activities	
	2025	2024
Revenues		
Program revenues:		
Charges for services	$ 2,828,099	$ 2,893,686
Operating grants and contributions	1,569,746	1,824,455
Capital grants and contributions	364,091	374,517
General revenues:		
Taxes:		
Property taxes, levied for general purpose	5,644,751	5,301,333
Utility users tax	2,570,089	2,830,000
Transit occupancy tax	581,033	598,038
Sales taxes	9,987,261	9,631,764
Franchise fees	849,535	881,552
Business license tax	1,049,189	1,141,082
Other taxes	825,787	803,180
Investment income	1,263,248	1,243,392
Other	(32,638)	131,318
Total revenues	27,500,191	27,654,317
Expenses		
General government	6,687,864	4,683,829
Public safety	11,777,288	10,760,234
Community development	4,398,067	2,575,580
Recreation and community services	3,894,564	3,227,871
Public works	1,377,616	2,305,517
Interest on long-term debt	239,350	191,281
Total expenditures	28,374,749	23,744,312
Change in net position	(874,558)	3,910,005
Net position, beginning, as restated	21,399,927	17,489,922
Net position, ending	$ 20,525,369	$ 21,399,927

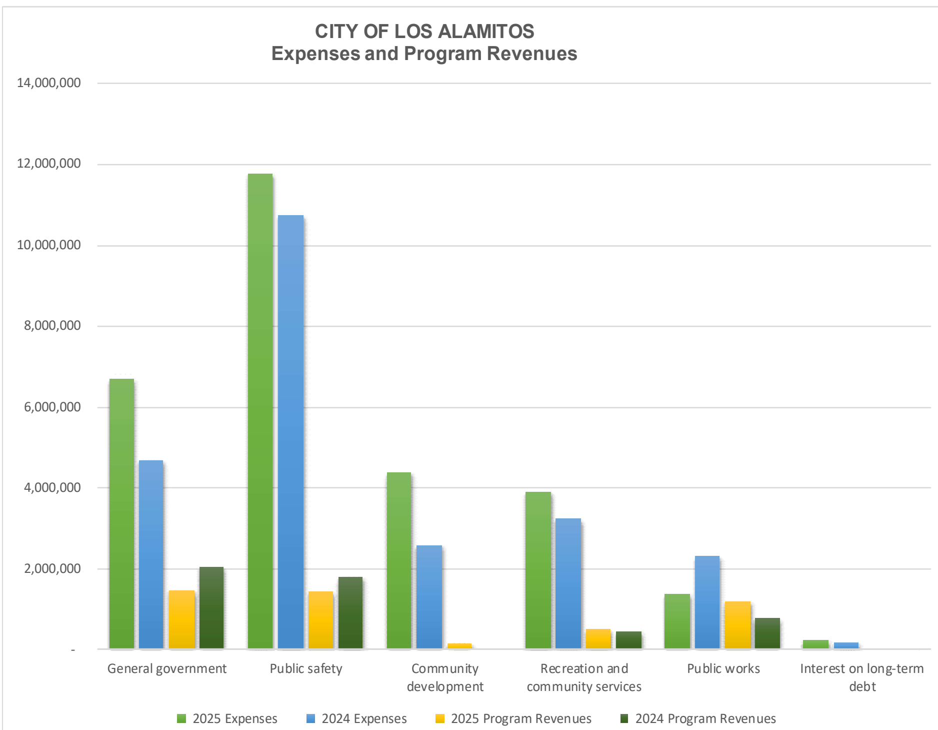
Governmental Activities. Governmental activities decreased the City's net position by $874,558 compared to a net increase of $3,601,475 in the prior year. Key elements of this year's activity in relation to the prior year are as follows:

Revenues

While variances between years exist for the various revenue categories, the total net decrease was $154,126, which is largely attributable to the reduction in the utility users' tax based on economic factors predicting slow growth and potential inflation, which may affect revenue.

Expenses

Although variances between years exist for the various expense functions, the total net increase was $4,630,437. Increased expenses were recognized by the General Government, Public Safety, interest, and Recreation and Community Services due to an increase in staffing and community projects to the City. The table below presents the cost of each of the City's six largest programs-general government, public safety, community development, recreation and community services, public works, interest and fiscal charges as well as their respective program revenues.



See the Statement of Activities for further detail on program revenues and general revenues.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $22,413,580, a decrease of $3,465,686 (15%) from the prior fiscal year's balance. Of this amount, $3,405,323 or 15% of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification assigned. Additionally, $2,828421 or 13% of fund balance is restricted, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.

The fund balance of the City's General Fund decreased by $3,818,727 during the fiscal year compared to a $2,637,389 increase in the prior year. The decrease in the current year is primarily attributable to the increase in capital projects.

Other governmental funds realized an increase in fund balance of $353,041. While variances between years exist for the various nonmajor governmental funds, the net increase was primarily attributable to an increase in funding for Measure M and State Gas Tax, in other restricted amounts.

General Fund Budgetary Highlights

Actual revenues were $1,628,026 more than the final budgeted amount, which is primarily due to increased taxes, fines, forfeitures, and investment earnings. The expenditures for the General Fund at fiscal year-end were $314,934 less than the final budgeted expenditures, which is primarily due to a decrease in Recreation and Community Services resulting from lower program costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of Fiscal Year 2024-25, the City had $32.7 million invested in capital assets, including land, buildings, infrastructure, equipment, and right-to-use assets. This amount represents a net increase of $6,439,585, primarily due to increases in vehicles, buildings, and improvements, as well as infrastructure and construction in progress.

CITY OF LOS ALAMITOS **City of Los Alamitos Capital Assets Net of Depreciation**	Governmental Activities 2025	2024
Land	$ 5,917,715	$ 5,917,715
Buildings and improvements	5,063,909	759,937
Right-to-use assets - buildings	88,923	222,306
Infrastructure	15,532,574	13,711,675
Equipment	1,004,937	1,213,627
Right-to-use assets - equipment	112,578	143,995
Right-to-use assets - subscriptions	116,697	-
Vehicles	110,340	280,131
Right-to-use assets - vehicles	555,723	347,656
Construction in progress	4,167,733	3,634,502
Totals	$ 32,671,129	$ 26,231,544

More detail on the City's capital assets can be found in Note 5 to the financial statements of this report.

Long-term liabilities. At the end of fiscal year 2024-25, the City had $5.5 million in long-term liabilities which includes outstanding bond indebtedness of $3.1 million along with leases payable, claims payable and compensated absences. The net increase of $830,810 over the prior year is primarily due to a net increase in lease payables – police vehicles and compensated absences.

CITY OF LOS ALAMITOS **City of Los Alamitos Long-Term Liabilities**	Governmental Activities 2025	2024
2015 Certificates of participation	$ 3,077,065	$ 3,171,417
Leases payable - police vehicles	608,640	382,407
Leases payable - warehouse	93,956	229,558
Leases payable - cameras	96,370	127,070
Subscriptions payable	86,329	-
Claims payable	451,904	167,920
Compensated absences	1,109,591	614,673
Total liabilities	$ 5,523,855	$ 4,693,045

More detail on the City's long-term debt can be found in Notes 6, 7 and 11 to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A conservative approach was used in preparing this year's biennial budget, which included information gathered from various sources, including HdL, Beacon Economics, and the U.S. Treasury. According to economists at UCLA School of Management, the forecast is for slow growth for the next few years, tempered by inflation and additional interest rate moves by the U.S. Treasury. Other factors remain in play, including the addition of tariffs and the resulting tariff war, which may result in lower inventories, less selection for consumers, and higher prices.

Despite these overriding concerns, the budget is structurally balanced and strategically positioned to weather any potential economic shifts. The City of Los Alamitos remains a model of fiscal strength and proactive governance. This budget reflects the stability Los Alamitos has built and the progress it intends to make.

On May 19, 2025, the 2025-26 City Budget was adopted. The annual operating budget is balanced, with operating revenues of $29,112,751 and operating expenditures of $28,610,726, resulting in an estimated surplus of $502,025. The City Council reviews its Fund Balance Policy once the books have been closed for the prior year. The current reserve includes $2,500,000 for CalPERS reserves and $600,000 for other post-employment benefits (OPEB).

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City of Los Alamitos citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to illustrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at the City of Los Alamitos, 3191 Katella Avenue, Los Alamitos, California, 90720, (562) 431-3538.

BASIC FINANCIAL STATEMENTS

DRAFT
Subject to Change

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2025

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 3)	$ 20,131,704
Receivables	
Accounts	157,109
Due from employees	577
Due from other governments	2,882,880
Prepaid costs	45,500
Cash and investments - restricted (Note 3)	966,919
Total Current Assets	24,184,689
Noncurrent assets:	
Capital assets: (Note 5)	
Non-depreciable	10,085,448
Depreciable, net	22,585,681
Total Capital Assets	32,671,129
Total Noncurrent Assets	32,671,129
Total Assets	56,855,818
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	84,863
Pension related (Note 8)	8,092,521
OPEB related (Note 9)	1,431,607
Total Deferred Outflows of Resources	9,608,991

The accompanying notes are an integral part of these financial statements.

Statement of Net Position, (Continued)
June 30, 2025

	Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable	$ 1,523,899
Accrued liabilities	863,386
Accrued interest	29,921
Unearned revenue	1,714,624
Deposits payable	82,086
Compensated absences, due within one year (Note 6)	357,318
Bonds payable, due within one year (Note 7)	95,000
Leases and subscription payable, due within one year (Note 7)	335,657
Claims payable, due within one year (Note 11)	48,930
Total OPEB liability, due within one year (Note 9)	291,710
Total Current Liabilities	5,342,531
Noncurrent liabilities:	
Compensated absences (Note 6)	752,273
Bonds payable (Note 7)	2,982,065
Leases and subscription payable (Note 7)	549,638
Claims payable (Note 11)	402,974
Net pension liability (Note 8)	26,746,392
Total OPEB liability (Note 9)	5,444,165
Total Noncurrent Liabilities	36,877,507
Total Liabilities	42,220,038
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 8)	1,722,060
OPEB related (Note 9)	1,997,342
Total Deferred Inflows of Resources	3,719,402
NET POSITION	
Net investment in capital assets	28,543,724
Restricted for:	
Transportation	895,853
Cable television	93,006
Public safety	647,463
Community development	189,387
Air quality	213,615
Parks	789,097
Total Restricted	2,828,421
Unrestricted (deficit)	(10,846,776)
Total Net Position	$ 20,525,369

The accompanying notes are an integral part of these financial statements.

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Subject to Change

Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenue
Governmental activities:					
General government	$ 6,687,864	$ 1,444,944	$ 18,803	$ -	$ 1,463,747
Public safety	11,777,288	860,429	587,497	-	1,447,926
Community development	4,398,067	10,044	138,389	-	148,433
Recreation and community services	3,894,564	512,645	-	-	512,645
Public works	1,377,616	37	825,057	364,091	1,189,185
Interest on long-term debt	239,350	-	-	-	-
Total Governmental Activities	$ 28,374,749	$ 2,828,099	$ 1,569,746	$ 364,091	$ 4,761,936

The accompanying notes are an integral part of these financial statements.

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Subject to Change

Statement of Activities, (Continued)
For the Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position
Governmental activities:	
General government	$ (5,224,117)
Public safety	(10,329,362)
Community development	(4,249,634)
Recreation and community services	(3,381,919)
Public works	(188,431)
Interest on long-term debt	(239,350)
Total Governmental Activities	(23,612,813)
General revenues:	
Taxes:	
Property taxes, levied for general purpose	5,644,751
Utility users tax	2,570,089
Transient occupancy tax	581,033
Sales taxes	9,987,261
Franchise fees	849,535
Business license taxes	1,049,189
Other taxes	825,787
Total Taxes	21,507,645
Investment earnings	1,263,248
Other	(32,638)
Total General Revenues	22,738,255
Change in Net Position	(874,558)
Net Position, Beginning of Year, as Previously Reported	21,091,397
Restatement for correction of an error	308,530
Net Position, Beginning of Year, as Restated	21,399,927
Net Position, End of Year	$ 20,525,369

The accompanying note are an integral part of these financial statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Funds of the City are as follows:

General Fund - The General Fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. These services include general government, safety, community development, recreation and community services, and public works.

Nonmajor Governmental Funds – Nonmajor Governmental Funds is the aggregate of all the Nonmajor Governmental Funds.

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Subject to Change

Balance Sheet
Governmental Funds
June 30, 2025

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments (Note 3)	$ 16,468,837	$ 3,643,696	$ 20,112,533
Receivables:			
Accounts	147,729	-	147,729
Due from employees	577	-	577
Due from other governments	2,581,043	301,837	2,882,880
Prepaid costs	45,500	-	45,500
Due from other funds	2,559,421	-	2,559,421
Cash and investments - restricted (Note 3)	966,646	273	966,919
Total Assets	$ 22,769,753	$ 3,945,806	$ 26,715,559
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,354,423	$ 77,460	$ 1,431,883
Accrued liabilities	863,386	-	863,386
Unearned revenues	1,577,845	136,779	1,714,624
Deposits payable	82,077	9	82,086
Due to other funds	-	210,000	210,000
Total Liabilities	3,877,731	424,248	4,301,979
Fund Balances: (Note 13)			
Nonspendable	46,077	-	46,077
Restricted	-	2,828,421	2,828,421
Committed	1,582,719	287,814	1,870,533
Assigned	3,000,000	405,323	3,405,323
Unassigned (deficit)	14,263,226	-	14,263,226
Total Fund Balances	18,892,022	3,521,558	22,413,580
Total Liabilities and Fund Balances	$ 22,769,753	$ 3,945,806	$ 26,715,559

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position
June 30, 2025

Total fund balances - governmental funds		$ 22,413,580
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.		
Nondepreciable	$ 10,085,448	
Depreciable, net of Internal Service Fund of $1,478,474	21,107,207	
Total Capital Assets		31,192,655
Internal Service Funds are used by management to charge garage costs; technology replacement costs; police capital expenditures; facilities, street, parks, and pool capital expenditures; and self-insurance costs to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-wide Statement of Net Position.		
Total Internal Service Funds		(2,178,934)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:		
Bonds payable	(2,985,000)	
Interest payable, net of Internal Service Fund of $1,279	(28,642)	
Unamortized bond premium	(92,065)	
Leases payable - warehouse	(93,956)	
Deferred charge on refunding	84,863	
Compensated absences	(1,109,591)	(4,224,391)
Deferred amounts relates to pension not available for current expenditures and are not reported in the governmental fund financial statements:		
Pension related deferred outflows of resources	8,092,521	
Pension related deferred inflows of resources	(1,722,060)	6,370,461
Total pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.		(26,746,392)
Deferred amounts relates to other postemployment benefits not available for current expenditures and are not reported in the governmental fund financial statements:		
OPEB related deferred outflows of resources	1,431,607	
OPEB related deferred inflows of resources	(1,997,342)	(565,735)
Total OPEB liability is not due and payable in the current period and therefore is not reported in the governmental funds.		(5,735,875)
Net Position of Governmental Activities		$ 20,525,369

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 20,684,637	$ 820,401	$ 21,505,038
Licenses and permits	779,895	-	779,895
Intergovernmental	56,581	1,043,857	1,100,438
Charges for services	924,660	-	924,660
Investment earnings	1,150,641	112,607	1,263,248
Fines and forfeitures	1,525,672	48,749	1,574,421
Program revenues	-	342,832	342,832
Miscellaneous	136,773	20,793	157,566
Total Revenues	25,258,859	2,389,239	27,648,098
EXPENDITURES			
Current:			
General government	5,557,583	-	5,557,583
Public safety	8,687,897	-	8,687,897
Community development	3,831,121	-	3,831,121
Recreation and community services	3,153,125	-	3,153,125
Public works	4,471,257	-	4,471,257
Capital outlay	1,286,133	1,607,923	2,894,056
Debt service:			
Principal	135,602	90,000	225,602
Interest and fiscal charges	8,398	118,275	126,673
Total Expenditures	27,131,116	1,816,198	28,947,314
Revenues Over (Under) Expenditures	(1,872,257)	573,041	(1,299,216)
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 4)	425,000	205,000	630,000
Transfers out (Note 4)	(2,680,000)	(425,000)	(3,105,000)
Total Other Financing Sources (Uses)	(2,255,000)	(220,000)	(2,475,000)
Net Change in Fund Balances	(4,127,257)	353,041	(3,774,216)
Fund Balances, Beginning of Year, as Previously Reported	22,710,749	3,168,517	25,879,266
Restatement for correction of an error	308,530	-	308,530
Fund Balances, Beginning of Year, as Restated	23,019,279	3,168,517	26,187,796
Fund Balances, End of Year	$ 18,892,022	$ 3,521,558	$ 22,413,580

The accompanying notes are an integral part of these financial statements.

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Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-wide Statement of Net Activities
For the Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds		$(3,774,216)
Governmental activities in the Statement of Activities were reported differently because:		
Governmental Funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital assets recorded in the current period is listed below.		
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.		
Total capital outlay expenditures reported in governmental funds	$ 2,894,056	
Plus: repair and maintenance expenditures capitalized	4,192,655	
Total Capital Outlay		7,086,711
Depreciation expense of capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds except for the Internal Service fund amount listed below.		
Total depreciation reported in Government-wide Statement of Activities	(1,064,151)	
Less: depreciation reported in the Internal Service Fund	379,856	
Total		(684,295)
Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(787,803)
Certain other post-employment benefit expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(285,502)
Compensated absences were reported in the Government-wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds.		(494,918)
The issuance of long-term debt provides current financial resources to governmental funds. However, the repayment reduces long-term liabilities in the governmental activities Statement of Net Position.		225,602
Amortization of deferred charge on refunding and bond premium do not use current financial resources and therefore not reported as expenditures in the governmental funds.		4,352
Accrued interest for long term liabilities. This is the net change in accrued interest for the current period		1,125
Internal Service Funds are used by management to charge garage costs; technology replacement		(2,165,614)
Change in Net Position of Governmental Activities		$ (874,558)

The accompanying notes are an integral part of these financial statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Internal Service Funds - To account for the costs associated with the City's insurance, for funding equipment replacement, and fleet maintenance.

Statement of Net Position
Proprietary Funds
June 30, 2025

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Cash and investments (Note 3)	$ 19,171
Accounts receivable	9,380
Total Current Assets	28,551
Noncurrent Assets:	
Capital assets - net of accumulated depreciation (Note 5)	1,478,474
Total Noncurrent Assets	1,478,474
Total Assets	1,507,025
LIABILITIES	
Current Liabilities:	
Accounts payable	92,016
Accrued interest	1,279
Due to other funds	2,349,421
Claims and judgements	48,930
Lease and subscription payable (Note 7)	241,701
Total Current Liabilities	2,733,347
Long-term Liabilities:	
Claims and judgements	402,974
Lease and subscription payable (Note 7)	549,638
Total Long-term Liabilities	952,612
Total Liabilities	3,685,959
NET POSITION (DEFICIT)	
Net investment in capital assets	687,135
Unrestricted	(2,866,069)
Total Net Position	$ (2,178,934)

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Miscellaneous	$ 80,077
Total Operating Revenues	80,077
OPERATING EXPENSES	
Supplies and materials	575,354
Outside services	2,020,929
Claims expense	1,478,491
Depreciation	379,856
Total Operating Expenses	4,454,630
Operating Income (Loss)	(4,374,553)
NON-OPERATING REVENUES (EXPENSES)	
Loss on disposal of capital assets	(147,907)
Interest expense	(118,154)
Total Non-Operating Revenues (Expenses)	(266,061)
Income (Loss) Before Transfers	(4,640,614)
TRANSFERS	
Transfers in (Note 4)	2,475,000
Total Transfers	2,475,000
Change in Net Position	(2,165,614)
Net Position (Deficit), Beginning of Year	(13,320)
Net Position, End of Year	$ (2,178,934)

The accompanying notes are an integral part of these financial statements.

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Subject to Change

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers and service providers	$ (4,004,967)
Cash received from (payments to) others	1,583,779
Net Cash Used for Operating Activities	(2,421,188)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	2,475,000
Net borrowings (repayments) to other funds	309,223
Net Cash Provided by Non-Capital Financing Activities	2,784,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(92,539)
Proceeds from sale of capital assets	15,535
Principal paid on leases payable	(206,066)
Interest paid on leases payable	(118,154)
Net Cash Used for Capital and Related Financing Activities	(401,224)
Net decrease in cash and cash equivalents	(38,189)
Cash and equivalents, beginning of year	57,360
Cash and equivalents, end of year	$ 19,171
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	$ (4,374,553)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	379,856
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	1,503,702
Increase (decrease) in accounts payable	(214,177)
Increase (decrease) in claims and judgements	283,984
Total Adjustments	1,953,365
Net Cash Used for Operating Activities	$ (2,421,188)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Lease liability	$ 487,928
Lease acquisition	(487,928)

The accompanying notes are an integral part of these financial statements.

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Subject to Change

NOTES TO THE BASIC FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Los Alamitos, California, (the "City") have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's significant policies:

A) Financial Reporting Entity

The City was incorporated on March 1, 1960. The Charter of the City of Los Alamitos was adopted by a vote of the people in September 1966, and the City enjoys all rights and privileges pertaining to such "Charter Law" cities.

The financial statements include the financial activities of the City, the primary government, and its blended component unit, the Los Alamitos Public Financing Corporation (the Corporation). The component unit, discussed below, is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. This entity is legally separate from the City. However, the City's elected officials have continuing accountability for fiscal matters of this entity.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

Management determined that the following entities should be reported as blended component units based on the criteria above. Each blended component unit has a June 30 year-end, has a governing board that is substantially the same as the City's, there is a financial benefit or burden relationship between the City and the blended component unit, and the City is financially accountable for each of the blended component units.

The Los Alamitos Public Facilities Corporation – The Corporation was formed February 6, 2006, pursuant to the Non-Profit Corporation Law of the State of California for the purpose of assisting the City in financing the acquisition, construction, and improvement for public benefit within the City limits. The Corporation is governed by a five-member board that is the City Council of the City of Los Alamitos. Separate financial statements are not prepared.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B) Basis of Accounting and Measurement Focus

The City's basic financial statements consist of government-wide statements, including the Statement of Net Position and the Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the City and the Corporation. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables.

The Statement of Net Position presents the financial position of the governmental activities of the City and its component unit and the Statement of Activities reports expenses of each specific governmental function, offset by program revenues attributable to each functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues that are attributable to functional programs are separated into three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Charges for services report fees and other charges to users of the City's services, operating grants, and contributions finance annual operating activities and can include restricted investment income, and capital grants and contributions fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restriction to these program uses. Other revenues sources not included with program revenues are reported as general revenues of the City. These can include taxes or unrestricted investment income.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses as appropriate. The City uses two categories of funds: governmental and proprietary.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B) Basis of Accounting and Measurement Focus, (Continued)

The City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. Individual governmental fund identified as being Major, as prescribed by governmental accounting standards or by Management of the City, are reported in separate columns on the financial statements.

<u>Governmental Funds</u>

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balance of the current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and its liabilities and deferred inflows of resources as fund balance.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and other governmental funds aggregated. Accompanying reconciliations are presented to explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34 or are elected by Management of the City based on Management's belief that the presentation of the funds are particularly important to financial statement users for reasons including public interest or consistency of reporting. The City reports the following major governmental funds:

- The General Fund is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B) Basis of Accounting and Measurement Focus, (Continued)

Additionally, the City reports the following fund types:

- The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for debt service or capital projects) that are restricted by law or administrative action or committed to expenditures for specified purposes.
- The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities, other than those financed by Internal Service Funds.
- The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned for the payment of, long-term debt principal, interest, and related costs for the 2006 Certificates of Participation (Laurel Park Acquisition).

<u>Proprietary Funds</u>

Proprietary funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The reporting focus on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary funds are classified as internal service funds.

- The Internal Service Funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments. The City's internal service funds are used to account for its self-insured insurance programs, fleet of vehicles, equipment, technology upgrades, and replacements and other capital related activities.

<u>Government-Wide Financial Statements</u>

The government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All internal balances and transactions have been eliminated from their respective statements to avoid over reporting relating assets, liabilities, revenues, and expenses, except for internal service fund charges provided and used.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B) Basis of Accounting and Measurement Focus, (Continued)

Financial Statements

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Like the government-wide statements, all proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenue – Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the availability is defined within 60 days of year-end.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B) Basis of Accounting and Measurement Focus, (Continued)

Revenue – Non-Exchange Transactions

Non-exchange transactions in which the City receives value without directly giving equal value in return, includes sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Major revenue sources susceptible to accrual include property tax, sales tax, utility users tax, franchise Tax, and licenses. On a modified accrual basis, revenue from non-exchange transaction also must be available (generally 60 days after year-end) before it can be recognized in the governmental funds. However, the City has adopted a 12-month recognition period for grant revenues.

Unavailable Revenue

Unavailable revenue, presented under deferred inflows of resources, arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods when both revenue recognition criteria are met, the deferred inflow is removed from the balance sheet and revenue is recognized.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria listed above have been satisfied. In subsequent periods when the government has a legal claim to the resources, the unearned revenue is removed from the balance sheet and revenue is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B) Basis of Accounting and Measurement Focus, (Continued)

Proprietary Funds Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for 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 non-operating revenues and expenses.

C) Cash, Cash Equivalents, and Investments

Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

Investments Valuation

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

State Investment Pool

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

Cash Equivalents and Cash Flows

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D) Internal Receivable and Payables

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 interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of 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 presented as nonspendable in fund balances to indicate that they are not in a spendable form.

E) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expenditure/expense when consumed.

F) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years, except for computer software and hardware and infrastructure assets which have a capitalization threshold of $20,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use assts), the measurement of which is discussed thereafter. Donated capital assets are recorded at acquisition value at the date of acquisition. As permitted under GASB Statement No. 34 for small governmental entities, the City has elected to report infrastructure assets prospectively beginning July 1, 2003.

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.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Equipment	5-10 years
Vehicles	3-15 years
Furniture	7 years
Buildings	50 years
Improvements	5-20 years
Infrastructure	50 years

Right-to-use lease and subscription assets are amortized over the life of the associated contract using the straight-line method.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G) Compensated Absences Payable

Under certain circumstances and according to the negotiated labor agreements, employees of the City are allowed to accumulate annual leave. This amount is accrued in the government-wide and proprietary fund statements. Refer to Note 6 for additional information.

H) Long-Term Obligations

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

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, debt issuance costs except for any portion related to prepaid insurance are recognized as expense in the period incurred.

I) Claims and Judgments

The City records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired, or a liability has been incurred prior to fiscal year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

The City is exposed to various risks of losses related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred, but not reported.

It is the City's policy to liquidate claims and judgments existing at June 30, with future resources. Accordingly, the liabilities are recorded in the Statement of Net Position. These noncurrent amounts will be recorded as fund expenditures in the fiscal year in which they are paid or become due on demand.

J) Deferred Outflows and Inflows of Resources

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

J) Deferred Outflows and Inflows of Resources, (Continued)

Deferred pension related items relate to the net pension obligation reported in the statement of net position. These outflows are the results of *contributions made after the measurement date*, which are recognized in the following year, and consist of *adjustments due to differences in proportions, changes in assumptions*, and *differences between expected and actual experiences*, which are deferred and amortized over the expected average remaining lifetime. Additionally, the *net difference between projected and actual earnings on pension plan investments* is reported and amortized over 5 years. Deferred outflows from changes in net pension liability arise only under a full accrual basis of accounting and are reported in the government-wide Statement of Net Position and proprietary funds Statement of Net Position.

The City also reports a *deferred charge on refunding* which results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunded or refunding debt.

In addition to liabilities, the statements of net position and the governmental funds' balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which qualifies for reporting in this category. The first item is in relation to the net pension obligation reported in the statement of net position. These inflows are the results of *changes of assumptions, differences between expected and actual experiences, adjustments due to differences in proportions*, and *differences between proportionate share of contributions and actual contributions*. Inflows from changes in net pension liability arise only under a full accrual basis of accounting and are reported in the government-wide Statement of Net Position and proprietary funds Statement of Net Position.

The City also reports one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds' balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K) Net Position

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 34. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

K) Net Position, (Continued)

- Net Investment in Capital Assets – the portion of net position that is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

- Restricted – the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions, which the City cannot unilaterally alter. These principally include funds restricted to community development projects purposes and funds for use in building improvements and governmental grants.

- Unrestricted – the portion of net position that is not restricted as to use.

L) Net Position Flow Assumptions

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

M) Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- Nonspendable – the portion of a fund balance that includes amounts that cannot be spent because they are either not in a spendable form, such as prepaid items, inventories, or loans receivable.

- Restricted – the portion of a fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments) or (b) imposed by law through constitutional provisions or enabling legislation. Examples of restricted fund balances include State Gas Tax, Asset Seizure, and Measure M funds.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

M) Fund Balance, (Continued)

- Committed – the portion of a fund balance that included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision- making authority and remain binding unless removed in the same manner.
  - The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a resolution.
  - These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment.
  - City Council action to commit fund balance needs to occur within the fiscal reporting periods; however, the amount can be determined subsequently.

- Assigned – amounts that are constrained by the City's intent to be used for specific purposes, but are neither Restricted nor Committed, should be reported as Assigned fund balance. This policy hereby delegated the authority to assign amounts to be used for specific purposes to the City Manager for the purpose of reporting these amounts in the City's annual financial statements. Examples of assigned fund balance are funds intended for Capital Improvement Projects and Equipment Replacement.

- Unassigned – residual net resources in excess of what can properly be classified in one of the other four categories and do not have any specific spending limitations. The General Fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds, other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, the City reports a negative unassigned fund balance in that fund.

In July 2017, City Council established a Reserve for Emergencies to be maintained at 25% of General Fund appropriations. The reserve is only to be used, with Council approval, in the case of a declared natural disaster or financial emergency. A financial emergency is considered when annual revenues decrease by 5% or more or when annual expenditures increase by 5% or more.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

N) Fund Balance Flow Assumptions

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

O) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the pension plans fiduciary net positions and additions to/deductions from the pension plans fiduciary net positions have been determined on the same basis as they are reported by the CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	June 30, 2023 to June 30, 2024

P) Other Post-Employment Benefits (OPEB)

For purposes of measuring the other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2024
Measurement Date (MD)	June 30, 2025
Measurement Period (MP)	June 30, 2024 to June 30, 2025

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Q) New Accounting Pronouncements

The City adopted Statement on Governmental Accounting Standards (GASB Statements) No. 101, *Compensated Absences*: The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

R) Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $10,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines the discount rate it uses to discount the expected lease payments to present value, lease term, and lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

R) Leases, (Continued)

Lessor: At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key elements and judgement include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts. The City uses it estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included In the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. The City currently does not have any leases receivable.

S) Property Taxes

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas.

Property taxes are assessed, collected and allocated by Orange County throughout the fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	July 1 to June 30
Due Dates	November 1, 1st installment, February 1, 2nd installment
Delinquent Dates	December 11, 1st installment, April 11, 2nd installment

Property taxes receivable for the governmental fund types, which have been remitted within 60 days subsequent to year end, are considered measurable and available and recognized as revenues. All other property taxes are offset by deferred property tax inflows of resources and, accordingly, have not been recorded as revenue. Taxes are considered past due on the above delinquent dates, at which time the applicable property is subject to lien, and penalties and interest are assessed.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

T) Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

- General government – includes legislative activities, which have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.

- Public safety – includes those activities that involve the protection of people and property.

- Community development – includes those activities such as planning, code enforcement, and building and safety inspections.

- Recreation and community services – includes those activities that involve the community cultural and leisure activities.

- Public works – includes those activities that involve the maintenance and improvement of City streets, roads, and park development and maintenance.

- Capital outlay – includes purchases of property, plant, and equipment which are expensed in the governmental funds because governmental funds use the current financial resources measurement focus.

- Principal retirement – includes principal payments for long-term liabilities.

- Interest and fiscal charges – includes current payments for interest on the City's long-term debt.

U) Use of Estimates

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

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Violations of Legal or Contractual Provisions

Note 2 to Required Supplementary Information, on the Excess of Expenditures over Appropriations, describes budgetary violations that occurred in the General Fund for the year ended June 30, 2025.

B) Deficit Fund Balance

At June 30, 2025, no special revenue fund reported a deficit fund balance.

3) CASH AND INVESTMENTS

A) Summary of Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	$ 20,131,704
Cash and investments - restricted	966,919
Total Cash and Investments	$ 21,098,623

Cash and Investments at June 30, 2025 consisted of the following:

Cash on hand	$ 3,500
Demand deposits	2,157,912
Investments	18,937,211
Total Cash and Investments	$ 21,098,623

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 monthly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

3) CASH AND INVESTMENTS, (CONTINUED)

B) Cash Deposits

All City's cash and investments as of June 30, 2025, were collateralized or insured with securities held by pledging financial institutions in the City's name. The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

C) Investments

The following table 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 trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
United States (U.S.)Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Certificates of Deposit	5 years	None	$250,000
Negotiable Certificates of Deposit	5 years	30%	30%
Local Agency Investment Fund (LAIF)	N/A	None	$75 million
Medium Term Notes	5 years	30%	None
Local Agency Bonds	5 years	None	None
Commercial Paper	270 days	25%	None

* Excludes amounts held by bond trustees that are not subject to California Government Code restrictions.

3) CASH AND INVESTMENTS, (CONTINUED)

C) Investments, (Continued)

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	30 years	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Money Market Mutual Funds	None	None	None
Investment Agreements N	None	None	None
Local Agency Bonds	None	None	None
Medium Term Notes	5 years	30%	None
Negotiable Certificates for Deposits	None	30%	None
Local Agency Investment Fund (LAIF)	None	None	None

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 withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF does not impose limits or restrictions on participant withdrawals, and the entire balance of the City's investment in the portfolio is available for withdrawal at any time. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of $1 and not fair value. Accordingly, the City's investment in this pool is measured on uncategorized inputs not defined as Level 1, 2, or 3.

D) Risk Disclosures

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. 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.

3) CASH AND INVESTMENTS, (CONTINUED)

D) Risk Disclosures, (Continued)

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

	Remaining Investment Maturities			
Investment Type	Less Than 1 Year	1 to 3 Years	4 to 5 Years	Total
U.S. Treasury Obligations	$ 750,963	$ -	$ 497,062	$ 1,248,025
U.S. Agency Securities	744,298	5,363,846	746,017	6,854,161
Certificates of Deposit	495,748	1,946,623	497,024	2,939,395
Local Agency Investment Fund (LAIF)	3,359,284	-	-	3,359,284
Medium Term Notes	-	248,779	-	248,779
Local Agency Bonds	377,860	1,772,049	1,654,013	3,803,922
CAMP Pool	483,372	-	-	483,372
Investment held by Bond Trustee:				
Money Market Mutual Funds	273	-	-	273
Total	$ 6,211,798	$ 9,331,297	$ 3,394,116	$ 18,937,211

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 required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standards and Poor, as of fiscal year end for each investment type:

Investment Type	Total	Minimum Legal Rating	Not Rated	AAA	AA+	A+	AAAm
U.S. Treasury Obligations	$ 1,248,025	N/A	$ -	$ 1,248,025	$ -	$ -	$ -
U.S. Agency Securities	6,854,161	N/A	-	6,854,161	-	-	-
Certificates of Deposit	2,939,395	N/A	2,939,395	-	-	-	-
Local Agency Investment Fund (LAIF)	3,359,284	Not Rated	3,359,284	-	-	-	-
Medium Term Notes	248,779	A	-	-	-	248,779	-
Local Agency Bonds	3,803,922	N/A	-	-	3,803,922	-	-
CAMP Pool	483,372	Not Rated	-	-	-	-	483,372
Investment held by Bond Trustee:							
Money Market Mutual Funds	273	N/A	-	-	273	-	-
Totals	$ 18,937,211		$ 6,298,679	$ 8,102,186	$ 3,804,195	$ 248,779	$ 483,372

3) CASH AND INVESTMENTS, (CONTINUED)

D) Risk Disclosures, (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. As of June 30, 2025, in accordance with GASB Statement No. 40 requirements, the City is exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer.

Investments in any one issuer (other than U.S. treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Reported amount	Percent of portfolio
Federal Home Loan Bank	$ 6,941,601	29%
Federal Home Loan Mortgage Corporation	1,494,272	6%

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 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's investment policy does not contain any additional provisions that would limit the exposure to custodial credit risk for deposits. However, the policy does stipulate that mortgage collateral cannot be used to secure deposits, and that the use of a third-party bank trust department is to function as the City's safekeeping agent for investments. At June 30, 2025, City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

3) CASH AND INVESTMENTS, (CONTINUED)

D) Risk Disclosures, (Continued)

Fair Value Hierarchy

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

The City has the following recurring fair value measurements as of June 30, 2025:

		Level		
Investments	Totals	1	2	Uncategorized
U.S. Treasury Obligations	$ 1,248,025	$ 1,248,025	$ -	$ -
U.S. Agency Securities	6,854,161	6,854,161	-	-
Certificates of Deposit	2,939,395	-	2,939,395	-
Agency Investment Fund (LAIF)	3,359,284	-	-	3,359,284
Medium Term Notes	248,779	-	248,779	-
Local Agency Bonds	3,803,922	-	3,803,922	-
CAMP Pool	483,372	-	-	483,372
Investment held by Bond Trustee:				
Money Market Mutual Funds	273	273	-	-
Totals	$ 18,937,211	$ 8,102,459	$ 6,992,096	$ 3,842,656

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Federal Agency Securities classified in Level 2 of the fair value hierarchy are valued using institutional bond quotes.

4) INTERFUND TRANSACTIONS

A) Receivables/Payables

The purpose of the interfund transactions is to make short-term interfund loans from the General Fund to other funds. These interfund loans are to provide for negative cash balances at year-end and/or operating cash flow. Due to/from amounts are short-term financing, which are paid within one year.

Receivable Fund	Amount	Payable Fund	Amount
General Fund	$2,559,421	Nonmajor Fund:	
		Community Development	
		Block Grant	$ 210,000
		Internal Service Fund:	
		Technology Replacement	365,100
		Facilities, Streets, Parks and	
		Pool Capital Expenditures	1,970,000
		Self-Insurance Trust	14,321
	$2,559,421		$2,559,421

B) Transfers In/Out

	Transfers Out		
Transfers In	General Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 425,000	$ 425,000
Nonmajor Governmental Funds	205,000	-	205,000
Internal Service Funds	2,475,000	-	2,475,000
Total	$ 2,680,000	$ 425,000	$ 3,105,000

The transfer from nonmajor governmental funds to the General Fund for street-related maintenance, and public and traffic safety expenditures paid out of the General Fund.

The transfers from the General Fund to nonmajor governmental funds were to support building improvements and for annual debt service payments.

The transfers from the General Fund to the internal service funds were to support facilities, streets and park projects, in addition to support for insurance, claims and workers' compensation.

5) CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets for the fiscal year ended June 30, 2025 are as follows:

Description	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Non-depreciable:				
Land	$ 5,917,715	$ -	$ -	$ 5,917,715
Construction in process	3,634,502	6,755,553	(6,222,322)	4,167,733
Total Non-depreciable	9,552,217	6,755,553	(6,222,322)	10,085,448
Depreciable/amortizable:				
Buildings and improvements	2,432,668	4,377,070	-	6,809,738
Right-to-use assets - buildings	400,150	-	-	400,150
Infrastructure - road system	17,494,802	2,177,723	-	19,672,525
Equipment	2,371,175	-	(230,206)	2,140,969
Right-to-use - equipment	157,085	-	-	157,085
Right-to-use - subscriptions	-	116,697	-	116,697
Vehicles	1,444,246	92,539	(889,545)	647,240
Right-to-use assets - vehicles	527,552	371,231	(35,083)	863,700
Total Depreciable Capital Assets	24,827,678	7,135,260	(1,154,834)	30,808,104
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,672,731)	(73,098)	-	(1,745,829)
Right-to-use assets - buildings	(177,844)	(133,383)	-	(311,227)
Infrastructure - road system	(3,783,127)	(356,824)	-	(4,139,951)
Equipment	(1,157,548)	(191,080)	212,596	(1,136,032)
Right-to-use assets - equipment	(13,090)	(31,417)	-	(44,507)
Right-to-use - subscriptions	-	-	-	-
Vehicles	(1,164,115)	(122,007)	749,222	(536,900)
Right-to-use assets - vehicles	(179,896)	(156,342)	28,261	(307,977)
Total Accumulated Depreciation/Amortization	(8,148,351)	(1,064,151)	990,079	(8,222,423)
Total Depreciable/Amortizable Capital Assets, Net	16,679,327	6,071,109	(164,755)	22,585,681
Total Capital Assets, Net	$ 26,231,544	$ 12,826,662	$ (6,387,077)	$ 32,671,129

Depreciation/amortization expense was charged to governmental activities as follows:

	General	Internal Service	Total
General government	$ 115,441	$ -	$ 115,441
Public safety	268,388	-	268,388
Community development	77,466	-	77,466
Recreation and community services	95,944	-	95,944
Public works	127,056	-	127,056
Internal Service Fund	-	379,856	379,856
Totals	$ 684,295	$ 379,856	$ 1,064,151

6) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2025 is as follows:

	Balance June 30, 2024	Net Change	Balance June 30, 2025	Due Within One Year
Compensated absences	$ 614,673	$494,918	$ 1,109,591	$ 357,318

There is no repayment schedule for compensated absences. Employee leave benefits are payable to employees upon usage or termination. The City's policies relating to the payment of these benefits are discussed in Note 1. The liability for compensated absences is typically liquidated through the General Fund.

7) LONG-TERM DEBT

The following is a summary of changes in Governmental Activities long-term debt for the year ended June 30, 2025:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
2015 Certificates of Participation	$ 3,075,000	$ -	$ (90,000)	$ 2,985,000	$ 95,000
Unamortized bond premium	96,417	-	(4,352)	92,065	-
Total	$ 3,171,417	$ -	$ (94,352)	$ 3,077,065	$ 95,000
Other Long-term Liabilities:					
Lease Payable – Police Vehicles	$ 382,407	$ 371,231	$ (144,998)	$ 608,640	$ 179,008
Lease Payable – Warehouse	229,558	-	(135,602)	93,956	93,956
Lease Payable – Camera	127,070	-	(30,700)	96,370	31,401
Subscriptions Payable	-	116,697	(30,368)	86,329	31,292
Total	$ 739,035	$ 487,928	$ (341,668)	$ 885,295	$ 335,657

A) 2015 Certificates of Participation

On September 1, 2015, the City issued the 2015 Certificates of Participation in the amount of $3,685,000, as a public offering, to refund the outstanding balance of the 2006 (Laurel Park Acquisition) Certificates of Participation in an advanced refunding transaction, and to finance the design, acquisition, and construction of certain capital improvement projects. There are no finance-related consequences related to significant events of default or termination, and there are no acceleration clauses. There are no assets pledged as collateral, no required reserve, and no unused lines of credit. Interest on the bonds is payable semiannually on October 1 and April 1, commencing April 1, 2016, at rates which range from 2.00% to 5.00%. Principal payments begin October 1, 2017 and continue October 1 of each year through October 1, 2045. The outstanding balance as of June 30, 2025 is $2,985,000.

7) LONG-TERM DEBT, (CONTINUED)

A) 2015 Certificates of Participation, (Continued)

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 95,000	$ 112,194	$ 207,194
2027	100,000	107,319	207,319
2028	105,000	103,244	208,244
2029	110,000	100,019	210,019
2030	110,000	96,650	206,650
2031-2035	615,000	424,278	1,039,278
2036-2040	740,000	298,600	1,038,600
2041-2045	905,000	134,500	1,039,500
2046	205,000	4,100	209,100
Total	$ 2,985,000	$ 1,380,904	$ 4,365,904

B) Leases Payable

The City has entered into leases as a Lessee for use of various vehicles, equipment and a warehouse. The initial lease liabilities were recorded in the range between $16,254 to $400,149. The City is required to make monthly fixed payments in the range between $519 to $12,000. As of June 30, 2025, the value of the lease liability is $798,966. The leases have an interest rate in the range between 5% to 16.2%. The various police vehicles and the warehouse have a five-year estimated useful life. The value of the right-to-use assets as of June 30, 2025 were $1,420,935 with accumulated amortization of $663,711, is included with buildings and vehicles which is detailed in Note 5.

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7) LONG-TERM DEBT, (CONTINUED)

B) Leases Payable, (Continued)

The following future principal and interest payments on the leases payable for June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 304,365	$ 95,204	$ 399,569
2027	204,290	59,955	264,245
2028	151,998	34,820	186,818
2029	107,380	15,693	123,073
2030	30,933	2,458	33,391
Total	$ 798,966	$ 208,130	$ 1,007,096

C) Subscriptions Payable

The City entered into various subscription agreements. The initial subscription liability was recorded in the amount of $116,697. The City is required to make annual fixed payments in the range between $10,800 to $11,910. As of June 30, 2025, the value of the lease liability is $86,329. The leases have an interest rate in the range between 2.999% to 3.067%. The subscriptions have an estimated useful life ranging from three to five years. The value of the right-to-use asset as of June 30, 2025 was $116,697 with accumulated amortization of $0, is included with buildings and vehicles which is detailed in Note 5.

The following future principal and interest payments on the subscription payable for June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 31,292	$ 2,618	$ 33,910
2027	21,380	1,664	23,044
2028	22,095	684	22,779
2029	11,562	344	11,906
Total	$ 86,329	$ 5,310	$ 91,639

8) RETIREMENT PLANS

A) General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City participates in four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

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

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

8) RETIREMENT PLANS, (CONTINUED)

A) General Information about the Pension Plans, (Continued)

The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-67	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates	16.02%	7.87%

	Safety	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.7% @57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employer contribution rates	27.32%	13.76%

<u>Contributions</u>

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2025 were $3,525,934.

8) RETIREMENT PLANS, (CONTINUED)

B) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

(1) The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Long-term Expected Rate of Return

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

8) RETIREMENT PLANS, (CONTINUED)

B) Net Pension Liability, (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return[1,2]
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management study.

<u>Discount Rate</u>

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8) RETIREMENT PLANS, (CONTINUED)

B) Net Pension Liability, (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

C) Proportionate Share of Net Pension Liability

The following table shows the City's proportionate share of the Plan's net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2023 (VD)	$ 86,341,369	$ 59,038,115	$ 27,303,254
Balance at: 6/30/2024 (MD)	89,120,937	62,374,545	26,746,392
Net Changes during 2023-24	$ 2,779,568	$ 3,336,430	$ (556,862)

Valuation Date (VD), Measurement Date (MD)

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov.

8) RETIREMENT PLANS, (CONTINUED)

C) Proportionate Share of Net Pension Liability, (Continued)

The City's proportionate share of the net pension liability for the miscellaneous and safety Plan as of the June 30, 2023 and 2024 measurement dates was as follows:

	Miscellaneous	Safety
Proportion – June 30, 2023	0.2490%	0.1987%
Proportion – June 30, 2024	0.2531%	0.1990%
Change – Increase (Decrease)	0.0041%	0.0003%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

Measurement Date	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Proportion – June 30, 2023	$ 39,074,445	$ 27,303,254	$ 17,651,232
Proportion – June 30, 2024	38,856,247	26,746,392	16,814,709
Change – Increase (Decrease)	$ (218,198)	$ (556,862)	$ (836,523)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

8) RETIREMENT PLANS, (CONTINUED)

C) Proportionate Share of Net Pension Liability, (Continued)

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

D) Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

As of the start of the measurement period (July 1, 2023), the City's net pension liability was $27,303,254. For the measurement period ending June 30, 2023 (the measurement date), the City incurred a pension expense of $4,313,739. The City's net pension liability is typically liquidated through the General Fund.

As of June 30, 2025, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 672,000	$ -
Differences between expected and actual experience	2,242,107	79,784
Net difference between projected and annual earnings on retirement plan investments	1,405,807	-
Changes in proportion and differences between City contributions and proportionate share of contributions	98,415.00	905,106
Changes in employer's proportion	148,258	737,170
City contributions subsequent to the measurement date	3,525,934	-
Total	$ 8,092,521	$ 1,722,060

The amounts above are net of outflows and inflows recognized in the 2023-24 measurement period expense. Contributions subsequent to the measurement date of $3,525,934 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

8) RETIREMENT PLANS, (CONTINUED)

D) Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension, (Continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year	Deferred Outflows/(Inflows) of Resources		
Ending June 30,	Miscellaneous	Safety	Total
2026	$ 226,188	$ 634,025	$ 860,213
2027	1,374,852	1,413,900	2,788,752
2028	(134,788)	(188,272)	(323,060)
2029	(241,455)	(239,923)	(481,378)
2030	-	-	-
Thereafter	-	-	-
Total	$ 1,224,797	$ 1,619,730	$ 2,844,527

E) Payable to the Pension Plan

At June 30, 2025, the City reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year then ended

9) OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

A) Plan Description

In addition to providing pension benefits, the City provides certain health care benefits, through a single- employer OPEB Plan (the Plan), for retired employees in accordance with a City Council resolution. Substantially, all the City's employees become eligible for those benefits if they reach normal retirement age while working for the City. Those and similar benefits for active employees are provided through PERS whose premiums are based on the benefits paid during the year.

Retiree health care coverage is segregated into two tiers as follows:

Tier 1 – Employees Hired Before August 1, 1994(1) receive one of the following:

- Miscellaneous and Safety Employees with 10 years of service with the City, with a regular service retirement, shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent, provided that employee plus one dependent coverage was in effect upon the date of retirement, up to Medicare age, and up to $300 per month thereafter for life.

- Employees age fifty (50) or over received up to $300 per month for life.

Tier 2 – Employees Hired on or After August 1, 1994(1) receive one of the following:

- Miscellaneous Employees with at least 15 years of continuous service with the City, and have reached the age of fifty-five (55) shall be eligible to receive 100% of the monthly benefit applicable towards the employee and one dependent, provided that employee plus one dependent coverage was in effect upon the date of retirement, up to Medicare age, and up to $300 per month thereafter for life.

- Safety Employees with 10 years of service with the City shall be eligible to receive 50% of the monthly benefit applicable towards the employee and one dependent, if employee plus one dependent coverage was in effect upon the date of retirement. The percentage increases by 5% per year to 100% at 20 years of service up to Medicare age, and up to $300 per month thereafter for life.

(1) Applies to police employees hired after January 1, 1995.

9) OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN, (CONTINUED)

B) Employees Covered

As of the June 30, 2024 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active	69
Inactive employees or beneficiaries currently receiving benefits	45
Total	114

C) Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council, and/or the employee associations The City is currently funding this OPEB obligation based on a pay-as-you-go basis. For the measurement date ended June 30, 2025, the City made no contributions to the plan, which would be recognized as a reduction of the total OPEB liability. The total OPEB liability is typically liquidated through the General Fund.

D) Actuarial Methods and Assumptions

The City's total OPEB liability was measured as of June 30, 2025 and was determined by an actuarial valuation dated June 30, 2024, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.20%
Inflation	2.50%
Salary Increases	2.75% per year
Investment Rate of Return	N/A; OPEB plan is unfunded
Mortality Rate	2021 CalPERS Mortality for Safety Employees, Miscellaneous and Schools Employees
Pre-Retirement Turnover	2021 CalPERS Turnover rate table for Police and Miscellaneous Employees
Healthcare Trend Rate	4.00% per year

E) Discount Rate

The discount rate used to measure the total OPEB liability was 5.20 percent. The discount rate is based on the Bond Buyer 20 Bond Index. The City does not participate in a trust fiduciary fund.

9) OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN, (CONTINUED)

F) Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the Plan are as follows:

	Increase (Decrease) Total OPEB Liability/(Assets)
Balance at June 30, 2024	$ 6,304,746
Changes recognized over the measurement period:	
Service cost	409,173
Interest	247,741
Changes of assumptions	(814,781)
Benefit payments	(411,004)
Net Changes	(568,871)
Balance at June 30, 2025	$ 5,735,875

G) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025:

1% Decrease	Current Discount Rate	1% Increase
$ 6,371,735	$ 5,735,875	$ 5,269,580

H) Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025:

1% Decrease	Cost Trend Rates	1% Increase
$ 5,228,484	$ 5,735,875	$ 6,274,371

9) OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN, (CONTINUED)

I) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the City recognized OPEB expense of $696,506. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 707,680	$ (1,510,240)
Difference between expected and actual experience	723,927	(487,102)
Total	$ 1,431,607	$ (1,997,342)

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2026	$ 39,592
2027	10,402
2028	(192,761)
2029	(196,333)
2030	(79,412)
Thereafter	(147,223)
Total	$ (565,735)

10) JOINT VENTURES

A) Orange County Fire Authority

In January 1995, the City of Los Alamitos entered into a joint powers agreement with 17 other cities within the County of Orange to create the Orange County Fire Authority (Authority). The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. Since the creation of the Authority, five additional cities have joined the Authority as members. The Authority's governing board consists of one representative from each city and two from the County.

The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for eight cities. The County pays all structural fire fees it collects to the Authority. The eight cities for which the County does not collect structural fire fees are considered "cash contract cities" and, accordingly, make cash contributions based on the Authority's annual budget.

Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership. The City has a financial interest in the Authority; however, it does not have an equity interest or an ongoing financial responsibility. Financial statements of the Authority may be obtained from its office at Post Office Box 57115, Irvine, California 92619.

B) West Communications Financing Authority

The West Communications Financing Authority was established December 23, 1996, pursuant to a Joint Exercise of Powers Agreement by the Cities of Los Alamitos, Seal Beach and Cypress for the purpose of operating a public safety communications center.

The Board of Directors is comprised of three elected officials, one designated by each participating City. Each Director has one vote over budgeting and financial matters. The Authority is a public entity separate from the Cities and is not included in the financial statements of those entities.

Each City pays a contractual fee to the Authority which consists of personal costs, capital expenditures and reserves to fund accrued employee leave and equipment purchases. The contractual fee remains stable from year to year. In 2024-2025, the City of Los Alamitos paid $768,827 to the Authority. Financial information for the Authority may be obtained from the City of Cypress.

10) JOINT VENTURES, (CONTINUED)

C) Integrated Law and Justice Agency for Orange County

In May 2006, the City of Los Alamitos entered into a joint powers agreement with 22 other agencies within the County of Orange to create the Integrated Law and Justice Agency for Orange County. The purpose of the Agency is to facilitate the integration and sharing of criminal justice information for the benefit of the lands and inhabitants within their respective boundaries. The Agency's governing board consists of six Municipal Police Chiefs, each elected for a three-year term by the Orange County Chiefs & Sheriff's Association. The operations of the Agency are funded by grant awards and annual budget appropriations from each member agency. Upon dissolution of the Agency, all surplus money and property of the Agency will be conveyed or distributed to each member in proportion to all funds provided to the Agency by that member. The City has a financial interest in the Authority; however, it does not have an equity interest. Also, the City has an ongoing financial responsibility to the Agency for approximately $3,000 per year.

Financial information for this arrangement may be obtained from the City of Los Alamitos.

11) SELF-INSURANCE PROGRAM

Effective July 1, 2016, the City rescinded its participation in the California Joint Power Insurance Authority (CJPIA) and joined the California State Association of Counties Excess Insurance Authority (EIA). Beginning July 1, 2016, excess insurance coverage for General Liability and Workers' Compensation was provided through the EIA with self-insured retentions of $100,000 and $125,000 per occurrence for each respective program. The EIA provides coverage up to $25 million per occurrence for General Liability and up to the statutory limit for Workers' Compensation.

The City established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss when it became a member of EIA for liability, master crime, and workers' compensation coverage. All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The estimated claims liability of $169,920 reported at June 30, 2025, is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The above amount includes an estimate for incurred but not reported claims.

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

11) SELF-INSURANCE PROGRAM, (CONTINUED)

Changes in the reported liability for the last two fiscal years are as follows:

	Due Within One-Year Workers' Compensation	**Long Term** General Liability	Total
Liability balance as of June 30, 2023	$ 1,472,691	$ 151,098	$ 1,623,789
Claims and changes in estimates during the fiscal year ended June 30, 2024	155,391	-	155,391
Claims payments during the fiscal year ended June 30, 2024	(1,555,123)	(56,137)	(1,611,260)
Liability balance as of June 30, 2024	72,959	94,961	167,920
Claims and changes in estimates during the fiscal year ended June 30, 2025	72,581	308,013	380,594
Claims payments during the fiscal year ended June 30, 2025	(96,610)	-	(96,610)
Liability balance as of June 30, 2025	$ 48,930	$ 402,974	$ 451,904

12) COMMITMENTS AND CONTINGENCIES

The City is subject to litigation arising in the normal course of business.

The City has received various state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

13) CLASSIFICATION OF FUND BALANCES AND NET POSITION

At June 30, 2025, fund balances are classified in the governmental funds as follows:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable			
Prepaid costs	$ 45,500	$ -	$ 45,500
Due from employees	577	-	577
Total Nonspendable	46,077	-	46,077
Restricted			
Transportation	-	895,853	895,853
Cable television	-	93,006	93,006
Public safety	-	647,463	647,463
Community development	-	189,387	189,387
Air quality	-	213,615	213,615
Parks	-	789,097	789,097
Total Restricted	-	2,828,421	2,828,421
Committed			
Capital projects	1,582,719	287,814	1,870,533
Total Committed	1,582,719	287,814	1,870,533
Assigned			
Other post-employment benefits	500,000	-	500,000
PERS reserves	2,500,000	-	2,500,000
Capital projects	-	405,323	405,323
Total Assigned	3,000,000	405,323	3,405,323
Unassigned	14,263,226	-	14,263,226
Totals	$ 18,892,022	$ 3,521,558	$ 22,413,580

13) CLASSIFICATION OF FUND BALANCES AND NET POSITION, (CONTINUED)

At June 30, 2025, the City reported the following net position classifications for governmental activities:

Net investment in capital assets:		
Governmental capital assets, net	$ 32,671,129	
2015 Certificates of Participation	(2,985,000)	
Unamortized bond premium	(92,065)	
Deferred loss on refunding	84,863	
Lease / subscription liability	(885,295)	
Capital-related liabilities: accounts payable and retainage payable	(249,908)	
Total net investment in capital assets		$ 28,543,724
Restricted for:		
Transportation	895,853	
Cable television	93,006	
Public safety	647,463	
Community development	189,387	
Air quality	213,615	
Parks	789,097	
Total restricted		2,828,421
Unrestricted		(10,846,776)
Total net position		$ 20,525,369

14) PRIOR PERIOD RESTATEMENT

Beginning Net Position for Governmental Activities and beginning Fund Balance for the General Fund was restated due to initial funding of PARS trust, which was erroneously expensed in the prior year. The adjustment resulted in an increase of Net Position for Governmental Activities and Fund Balance for the General Fund as follows:

	Governmental Funds General Fund	Governmental Activities
Fund balance / Net position at July 1, 2024, as originally reported	$ 22,710,749	$ 21,091,397
Adjustment for correction of an error	308,530	308,530
Fund balance / Net position at July 1, 2024, as restated	$ 23,019,279	$ 21,399,927

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Required Supplementary Information
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Fund Balance, Beginning, as Restated	$ 23,019,279	$ 23,019,279	$ 23,019,279	$ -
Revenues (Inflows):				
Taxes	19,754,262	19,754,262	20,684,637	930,375
Licenses and permits	1,107,480	1,107,480	779,895	(327,585)
Intergovernmental	11,000	11,000	56,581	45,581
Charges for services	876,116	876,116	924,660	48,544
Investment earnings	750,000	750,000	1,150,641	400,641
Fines and forfeitures	1,031,975	1,031,975	1,525,672	493,697
Miscellaneous	100,000	100,000	136,773	36,773
Transfers in	425,000	425,000	425,000	-
Amount Available for Appropriations	24,055,833	24,055,833	25,683,859	1,628,026
Charges to Appropriations (Outflows):				
General government:				
City council	35,957	45,957	54,732	(8,775)
City manager / City clerk	1,730,850	1,720,850	1,330,663	390,187
Administrative services	1,134,465	1,134,465	1,024,041	110,424
City attorney	226,000	286,000	340,080	(54,080)
Non-departmental	1,209,500	1,529,500	2,808,067	(1,278,567)
Public safety	8,414,706	8,207,997	8,687,897	(479,900)
Community development	3,154,072	3,414,426	3,831,121	(416,695)
Recreation and community services	3,279,826	3,334,826	3,153,125	181,701
Public works	2,335,675	3,773,029	4,471,257	(698,228)
Capital outlay	745,000	3,855,000	1,286,133	2,568,867
Debt service:				
Principal	135,602	135,602	135,602	-
Interest and fiscal charges	8,398	8,398	8,398	-
Transfers out	1,605,000	2,680,000	2,680,000	-
Total Charges to Appropriations	24,015,051	30,126,050	29,811,116	314,934
Fund Balance, Ending	$ 23,060,061	$ 16,949,062	$ 18,892,022	$ 1,942,960

Required Supplementary Information, (Continued)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2025

1) Budgets and Budgetary Accounting Data

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

1) The annual budget is adopted by the City Council and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.

2) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This “appropriated budget” covers substantially all City expenditures. Actual expenditures may not exceed budgeted appropriations at the department level. The City’s fund structure includes the following departments: City Council, City Manager/City Clerk, Administrative Services, City Attorney, Public Safety, Community Development, Recreation and Community Services, and Public Works. The City Manager is authorized to transfer budgeted amounts between the accounts of any department. Budgets are controlled at the department level. Budget figures used in the financial statements are the final adjusted amounts, including any amendments to the budget during the fiscal year.

3) Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Governmental Fund types during the fiscal year. Unexpended appropriations of the governmental funds automatically lapse at the end of the fiscal year.

4) Budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds, with the exception of the Capital Outlay Capital Projects Fund, are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (USGAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the proprietary funds, as the City is not legally required to adopt a budget for this type of fund.

5) Under Article XIIIB of the California Constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2025, based on calculations by City management, proceeds of taxes did not exceed appropriations.

Required Supplementary Information, (Continued)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2025

2) Excess of Expenditures over Appropriations

The following departments had expenditures that exceeded the adopted budget:

	Budget	Actual	Variance
General Fund:			
General Government:			
City council	$ 45,957	$ 54,732	$ (8,775)
City attorney	286,000	340,080	(54,080)
Non-departmental	1,529,500	2,808,067	(1,278,567)
Public safety	8,207,997	8,687,897	(479,900)
Community development	3,414,426	3,831,121	(416,695)
Public works	3,773,029	4,471,257	(698,228)
Non-Major Special Revenue Funds:			
CDBG Grant	350,000	530,807	(180,807)
Non-Major Capital Projects Funds:			
Building Improvements Fund	-	20,449	(20,449)
Non-Major Debt Service Funds:			
Debt Service Fund	207,519	208,275	(756)

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Required Supplementary Information, (Continued)
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios – Miscellaneous Plan
For the Year Ended June 30, 2025

Measurement Date	Proportion of the net pension liability[1]	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of covered payroll	Proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability
6/30/2015	0.090100%	$ 6,181,642	$ 2,067,219	299.03%	78.40%
6/30/2016	0.092200%	7,975,904	2,139,951	372.71%	74.06%
6/30/2017	0.092000%	9,127,183	2,067,777	441.40%	73.31%
6/30/2018	0.095300%	8,999,874	1,882,670	478.04%	75.26%
6/30/2019	0.166200%	9,688,016	1,883,036	514.49%	75.26%
6/30/2020	0.179100%	10,333,777	1,853,222	557.61%	75.10%
6/30/2021	0.174000%	7,053,615	1,802,686	391.28%	88.29%
6/30/2022	0.252528%	11,816,355	2,174,409	543.43%	76.68%
6/30/2023	0.248980%	12,449,986	2,726,295	456.66%	76.21%
6/30/2024	0.253050%	12,239,158	3,604,377	339.56%	78.08%

[1] Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

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Required Supplementary Information, (Continued)
Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios – Safety Plan
For the Year Ended June 30, 2025

Measurement Date	Proportion of the net pension liability[1]	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of covered payroll	Proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability
6/30/2015	0.092200%	$ 6,328,706	$ 2,402,592	263.41%	78.40%
6/30/2016	0.096500%	8,351,809	2,534,307	329.55%	74.06%
6/30/2017	0.098000%	9,719,511	2,655,464	366.02%	73.31%
6/30/2018	0.104700%	9,853,739	2,498,046	394.46%	75.26%
6/30/2019	0.171000%	10,731,155	2,287,551	469.11%	75.26%
6/30/2020	0.069500%	11,805,982	1,935,386	610.01%	75.10%
6/30/2021	0.164300%	7,488,379	2,184,348	342.82%	88.29%
6/30/2022	0.252528%	13,760,996	2,103,050	654.34%	76.68%
6/30/2023	0.198710%	14,853,268	2,416,863	614.57%	76.21%
6/30/2024	0.198980%	14,507,234	2,705,684	536.18%	78.08%

[1] Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

Required Supplementary Information, (Continued)
Schedule of City's Contributions – Pension – Miscellaneous Plan
For the Year Ended June 30, 2025

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered payroll	Contributions as a Percentage of Covered Payroll
2015-2016	$ 478,168	$ (478,168)	$ -	$ 2,139,951	22.3%
2016-2017	575,534	(575,534)	-	2,067,777	27.8%
2017-2018	607,715	(607,715)	-	1,882,670	32.3%
2018-2019	706,647	(706,647)	-	1,883,036	37.5%
2019-2020	878,063	(878,063)	-	1,853,222	47.4%
2020-2021	902,971	(902,971)	-	1,802,686	50.1%
2021-2022	1,016,424	(1,016,424)	-	2,174,409	46.7%
2022-2023	1,169,151	(1,169,151)	-	2,726,295	42.9%
2023-2024	653,699	(653,699)	-	3,604,377	18.1%
2024-2025	1,500,707	(1,630,707)	(130,000)	4,404,811	34.1%

Notes to Schedule:

Change in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023, valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Change in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

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Required Supplementary Information, (Continued)
Schedule of City's Contributions – Pension – Safety Plan
For the Year Ended June 30, 2025

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered payroll	Contributions as a Percentage of Covered Payroll
2015-2016	$ 748,750	$ (748,750)	$ -	$ 2,534,307	29.5%
2016-2017	797,034	(797,034)	-	2,655,464	30.0%
2017-2018	847,090	(847,090)	-	2,498,046	33.9%
2018-2019	927,772	(927,772)	-	2,287,551	40.6%
2019-2020	1,075,926	(1,075,926)	-	1,935,386	55.6%
2020-2021	1,163,513	(1,163,513)	-	2,184,348	53.3%
2021-2022	1,250,864	(1,250,864)	-	2,103,050	59.5%
2022-2023	1,435,023	(1,435,023)	-	2,416,863	59.4%
2023-2024	749,339	(749,339)	-	2,705,684	27.7%
2024-2025	1,765,227	(1,895,227)	(130,000)	2,909,119	60.7%

Notes to Schedule:

Change in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023, valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Change in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

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Required Supplementary Information, (Continued)
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2025

Fiscal Year	**2025**	**2024**	**2023**	**2022**	**2021**
Total OPEB Liability					
Service cost	$ 409,173	$ 326,480	$ 309,238	$ 345,491	$ 333,552
Interest on the total OPEB liability	247,741	232,030	228,224	144,055	143,962
Experience (gains)/losses	-	548,754	(394,896)	542,385	-
Changes in assumptions	(814,781)	(8,106)	(423,509)	(973,560)	31,397
Benefit payments	(411,004)	(428,200)	(442,236)	(395,761)	(383,006)
Net change in total OPEB liability	**(568,871)**	**670,958**	**(723,179)**	**(337,390)**	**125,905**
Total OPEB liability - beginning	**6,304,746**	**5,633,788**	**6,356,967**	**6,694,357**	**6,568,452**
Total OPEB liability - ending (a)	**$ 5,735,875**	**$ 6,304,746**	**$ 5,633,788**	**$ 6,356,967**	**$ 6,694,357**
Covered-employee payroll[(1)]	$ 5,574,641	$ 5,574,641	$ 5,131,255	$ 4,277,459	$ 4,700,996
Total OPEB liability as a percentage of covered-employee payroll	102.89%	113.10%	109.79%	148.62%	142.40%

Fiscal Year	**2020**	**2019**	**2018**
Total OPEB Liability			
Service cost	$ 192,736	$ 175,452	$ 170,756
Interest on the total OPEB liability	164,133	157,013	166,352
Experience (gains)/losses	(1,087,077)	-	-
Changes in assumptions	2,824,825	100,644	-
Benefit payments	(238,645)	(237,974)	(228,821)
Net change in total OPEB liability	**1,855,972**	**195,135**	**108,287**
Total OPEB liability - beginning	**4,712,480**	**4,517,345**	**4,409,058**
Total OPEB liability - ending (a)	**$ 6,568,452**	**$ 4,712,480**	**$ 4,517,345**
Covered-employee payroll[(1)]	$ 4,502,169	$ 4,380,716	$ 4,380,716
Total OPEB liability as a percentage of covered-employee payroll	145.90%	107.57%	103.12%

* Historical information is required only for measurement for which GASB 75 is applicable.

Notes to Schedule:

(1) Contributions to the OPEB plan are not based on a measure of pay, therefore covered employee payroll is used.
No assets are accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Changes in assumptions: For 2025, the discount rate increased from 3.93% to 5.20% based on the Bond Buyer 20 Bond Index. For 2024, the discount rate increased from 3.86% to 3.93% based on the Bond Buyer 20 Bond Index. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems. For 2023, the discount rate increased from 3.45% to 3.86% based on the municipal bond index. For 2022, the discount rate increased from 2.16% to 3.45% based on the updated municipal bond index.

SUPPLEMENTARY INFORMATION

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Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	Community Development Block Grant	Measure M	Los Alamitos Television	Office of Traffic Safety
ASSETS				
Cash and investments	$ 271,518	$ 809,625	$ 132,285	$ 180,938
Receivables:				
Due from other governments	127,869	53,817	3,136	444.00
Cash and investments - restricted	-	-	-	-
Total Assets	$ 399,387	$ 863,442	$ 135,421	$ 181,382
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 2,721	$ 42,415	$ -
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	210,000	-	-	-
Total Liabilities	210,000	2,721	42,415	-
Fund Balances:				
Restricted	189,387	860,721	93,006	181,382
Committed	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances (Deficit)	189,387	860,721	93,006	181,382
Total Liabilities and Fund Balances	$ 399,387	$ 863,442	$ 135,421	$ 181,382

Combining Balance Sheet, (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	Asset Seizure	Public Safety Augmentation	State Law Enforcement Agency	Air Quality
ASSETS				
Cash and investments	$ 50,452	$ 61,305	$ 330,128	$ 209,457
Receivables:				
Due from other governments	-	24,205	-	4,158
Cash and investments - restricted	-	-	-	-
Total Assets	$ 50,452	$ 85,510	$ 330,128	$ 213,615
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Unearned revenues	-	-	-	-
Deposits payable	9	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	9	-	-	-
Fund Balances:				
Restricted	50,443	85,510	330,128	213,615
Committed	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances (Deficit)	50,443	85,510	330,128	213,615
Total Liabilities and Fund Balances	$ 50,452	$ 85,510	$ 330,128	$ 213,615

Combining Balance Sheet, (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds	Capital Projects Funds		
	State Gas Tax	Park Development	Building Improvement	Residential Streets/ Alleys
ASSETS				
Cash and investments	$ 133,338	$ 789,097	$ 409,126	$ 7,354
Receivables:				
Due from other governments	88,208	-	-	-
Cash and investments - restricted	-	-	-	-
Total Assets	$ 221,546	$ 789,097	$ 409,126	$ 7,354
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 11,875	$ -	$ 20,449	$ -
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	11,875	-	20,449	-
Fund Balances:				
Restricted	-	789,097	-	-
Committed	209,671	-	-	-
Assigned	-	-	388,677	7,354
Total Fund Balances (Deficit)	209,671	789,097	388,677	7,354
Total Liabilities and Fund Balances	$ 221,546	$ 789,097	$ 409,126	$ 7,354

Combining Balance Sheet, (Concluded)
Nonmajor Governmental Funds
June 30, 2025

	Capital Projects Funds	Debt Service Fund	
	Traffic Improvement	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	$ 250,054	$ 9,019	$ 3,643,696
Receivables:			
Due from other governments	-	-	301,837
Cash and investments - restricted	-	273	273
Total Assets	$ 250,054	$ 9,292	$ 3,945,806
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ 77,460
Unearned revenues	136,779	-	136,779
Deposits payable	-	-	9
Due to other funds	-	-	210,000
Total Liabilities	136,779	-	424,248
Fund Balances:			
Restricted	35,132	-	2,828,421
Committed	78,143	-	287,814
Assigned	-	9,292	405,323
Total Fund Balances (Deficit)	113,275	9,292	3,521,558
Total Liabilities and Fund Balances	$ 250,054	$ 9,292	$ 3,945,806

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Subject to Change

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Community Development Block Grant	Measure M	Los Alamitos Television	Office of Traffic Safety
REVENUES				
Taxes	$ -	$ -	$ 14,220	$ -
Intergovernmental	829,189	-	-	-
Investment earnings	5,187	27,073	1,767	4,792
Fines and forfeitures	-	-	-	48,749
Program revenues	-	342,832	-	-
Miscellaneous	-	-	19,787	-
Total Revenues	834,376	369,905	35,774	53,541
EXPENDITURES				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Capital outlay	530,807	355,152	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	530,807	355,152	-	-
Revenues Over (Under) Expenditures	303,569	14,753	35,774	53,541
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Change in Fund Balances	303,569	14,753	35,774	53,541
Fund Balances (Deficits), Beginning of Year	(114,182)	845,968	57,232	127,841
Fund Balances, End of Year	$ 189,387	$ 860,721	$ 93,006	$ 181,382

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Asset Seizure	Public Safety Augmentation	State Law Enforcement Agency	Air Quality
REVENUES				
Taxes	$ -	$ 137,673	$ -	$ -
Intergovernmental	-	-	194,663	20,005
Investment earnings	1,825	1,641	11,343	6,092
Fines and forfeitures	-	-	-	-
Program revenues	-	-	-	-
Miscellaneous	1,006	-	-	-
Total Revenues	2,831	139,314	206,006	26,097
EXPENDITURES				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Revenues Over (Under) Expenditures	2,831	139,314	206,006	26,097
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(105,000)	(200,000)	-
Total Other Financing Sources (Uses)	-	(105,000)	(200,000)	-
Change in Fund Balances	2,831	34,314	6,006	26,097
Fund Balances (Deficits), Beginning of Year	47,612	51,196	324,122	187,518
Fund Balances, End of Year	$ 50,443	$ 85,510	$ 330,128	$ 213,615

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Subject to Change

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds	Capital Projects Funds		
	State Gas Tax	Park Development	Building Improvement	Residential Streets/ Alleys
REVENUES				
Taxes	$ 668,508	$ -	$ -	$ -
Intergovernmental	-	-	-	-
Investment earnings	8,763	23,919	12,402	223
Fines and forfeitures	-	-	-	-
Program revenues	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	677,271	23,919	12,402	223
EXPENDITURES				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Capital outlay	701,515	-	20,449	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	701,515	-	20,449	-
Revenues Over (Under) Expenditures	(24,244)	23,919	(8,047)	223
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(120,000)	-	-	-
Total Other Financing Sources (Uses)	(120,000)	-	-	-
Change in Fund Balances	(144,244)	23,919	(8,047)	223
Fund Balances (Deficits), Beginning of Year	353,915	765,178	396,724	7,131
Fund Balances, End of Year	$ 209,671	$ 789,097	$ 388,677	$ 7,354

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, (Concluded)
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Capital Projects Funds	Debt Service Fund	
	Traffic Improvement	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ -	$ -	$ 820,401
Intergovernmental	-	-	1,043,857
Investment earnings	7,580	-	112,607
Fines and forfeitures	-	-	48,749
Program revenues	-	-	342,832
Miscellaneous	-	-	20,793
Total Revenues	7,580	-	2,389,239
EXPENDITURES			
Current:			
General government	-	-	-
Public works	-	-	-
Capital outlay	-	-	1,607,923
Debt service:			
Principal	-	90,000	90,000
Interest and fiscal charges	-	118,275	118,275
Total Expenditures	-	208,275	1,816,198
Revenues Over (Under) Expenditures	7,580	(208,275)	573,041
OTHER FINANCING SOURCES (USES)			
Transfers in	-	205,000	205,000
Transfers out	-	-	(425,000)
Total Other Financing Sources (Uses)	-	205,000	(220,000)
Change in Fund Balances	7,580	(3,275)	353,041
Fund Balances (Deficits), Beginning of Year	105,695	12,567	3,168,517
Fund Balances, End of Year	$ 113,275	$ 9,292	$ 3,521,558

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance (Deficit), Beginning	$ (114,182)	$ (114,182)	$ -
Revenues (Inflows):			
Intergovernmental	350,000	829,189	479,189
Investment earnings	-	5,187	5,187
Amount Available for Appropriations	350,000	834,376	484,376
Charges to Appropriations (Outflows):			
Capital outlay	350,000	530,807	(180,807)
Total Charges to Appropriations	350,000	530,807	(180,807)
Fund Balance (Deficit), Ending	$ (114,182)	$ 189,387	$ 303,569

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Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Measure M Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 845,968	$ 845,968	$ -
Revenues (Inflows):			
Investment earnings	5,000	27,073	22,073
Program revenues	321,029	342,832	21,803
Amount Available for Appropriations	326,029	369,905	43,876
Charges to Appropriations (Outflows):			
Capital outlay	640,000	355,152	284,848
Total Charges to Appropriations	640,000	355,152	284,848
Fund Balance, Ending	$ 531,997	$ 860,721	$ 328,724

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Subject to Change

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Los Alamitos Television Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 57,232	$ 57,232	$ -
Revenues (Inflows):			
Taxes	18,000	14,220	(3,780)
Investment earnings	250	1,767	1,517
Miscellaneous	-	19,787	19,787
Amount Available for Appropriations	18,250	35,774	17,524
Charges to Appropriations (Outflows):			
General government	40,820	-	40,820
Total Charges to Appropriations	40,820	-	40,820
Fund Balance, Ending	$ 34,662	$ 93,006	$ 58,344

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Subject to Change

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Office of Traffic Safety Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 127,841	$ 127,841	$ -
Revenues (Inflows):			
Investment earnings	500	4,792	4,292
Fines and forfeitures	12,000	48,749	36,749
Amount Available for Appropriations	12,500	53,541	41,041
Fund Balance, Ending	$ 140,341	$ 181,382	$ 41,041

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Asset Seizure Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 47,612	$ 47,612	$ -
Revenues (Inflows):			
Investment earnings	50	1,825	1,775
Miscellaneous	-	1,006	1,006
Amount Available for Appropriations	50	2,831	2,781
Fund Balance, Ending	$ 47,662	$ 50,443	$ 2,781

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Public Safety Augmentation Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 51,196	$ 51,196	$ -
Revenues (Inflows):			
Taxes	141,885	137,673	(4,212)
Investment earnings	150	1,641	1,491
Amount Available for Appropriations	142,035	139,314	(2,721)
Charges to Appropriations (Outflows):			
Transfers out	105,000	105,000	-
Total Charges to Appropriations	105,000	105,000	-
Fund Balance, Ending	$ 88,231	$ 85,510	$ (2,721)

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
State Law Enforcement Agency Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 324,122	$ 324,122	$ -
Revenues (Inflows):			
Intergovernmental	170,000	194,663	24,663
Investment earnings	1,600	11,343	9,743
Amount Available for Appropriations	171,600	206,006	34,406
Charges to Appropriations (Outflows):			
Transfers out	200,000	200,000	-
Total Charges to Appropriations	200,000	200,000	-
Fund Balance, Ending	$ 295,722	$ 330,128	$ 34,406

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Air Quality Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning, As Restated	$ 187,518	$ 187,518	$ -
Revenues (Inflows):			
Intergovernmental	15,000	20,005	5,005
Investment earnings	700	6,092	5,392
Amount Available for Appropriations	15,700	26,097	10,397
Fund Balance, Ending	$ 203,218	$ 213,615	$ 10,397

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 353,915	$ 353,915	$ -
Revenues (Inflows):			
Taxes	651,627	668,508	16,881
Investment earnings	1,400	8,763	7,363
Amount Available for Appropriations	653,027	677,271	24,244
Charges to Appropriations (Outflows):			
Capital outlay	1,311,627	701,515	610,112
Transfers out	120,000	120,000	-
Total Charges to Appropriations	1,431,627	821,515	610,112
Fund Balance, Ending	$ (424,685)	$ 209,671	$ 634,356

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Park Development Capital Projects Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 765,178	$ 765,178	$ -
Revenues (Inflows):			
Investment earnings	4,000	23,919	19,919
Amount Available for Appropriations	4,000	23,919	19,919
Fund Balance, Ending	$ 769,178	$ 789,097	$ 19,919

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Building Improvement Capital Projects Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 396,724	$ 396,724	$ -
Revenues (Inflows):			
Investment earnings	1,800	12,402	10,602
Amount Available for Appropriations	1,800	12,402	10,602
Charges to Appropriations (Outflows):			
Capital outlay	-	20,449	(20,449)
Total Charges to Appropriations	-	20,449	(20,449)
Fund Balance, Ending	$ 398,524	$ 388,677	$ (9,847)

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Residential Streets/Alleys Capital Projects Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 7,131	$ 7,131	$ -
Revenues (Inflows):			
Investment earnings	50	223	173
Amount Available for Appropriations	50	223	173
Fund Balance, Ending	$ 7,181	$ 7,354	$ 173

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Traffic Improvement Capital Projects Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 105,695	$ 105,695	$ -
Revenues (Inflows):			
Charges for services	1,500	-	(1,500)
Investment earnings	2,000	7,580	5,580
Amount Available for Appropriations	3,500	7,580	4,080
Fund Balance, Ending	$ 109,195	$ 113,275	$ 4,080

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Fund Balance, Beginning	$ 12,567	$ 12,567	$ -
Revenues (Inflows):			
Transfers in	205,000	205,000	-
Amount Available for Appropriations	205,000	205,000	-
Charges to Appropriations (Outflows):			
Debt Service:			
Principal	85,000	90,000	(5,000)
Interest and fiscal charges	122,519	118,275	4,244
Total Charges to Appropriations	207,519	208,275	(756)
Fund Balance, Ending	$ 10,048	$ 9,292	$ (756)

Combining Statement of Net Position
All Internal Service Funds
June 30, 2025

	Garage	Technology Replacement	Police Capital Expenditures	Facilities, Streets, Parks and Pool Capital Expenditures	Self-Insurance Trust	Total
ASSETS						
Current assets:						
Cash and investments	$ 4,292	$ 9	$ 14,799	$ 71	$ -	$ 19,171
Accounts receivable	-	-	-	-	9,380	9,380
Total Current Assets	4,292	9	14,799	71	9,380	28,551
Noncurrent assets:						
Capital assets - net of accumulated depreciation	931,222	116,697	112,578	317,977	-	1,478,474
Total Noncurrent Assets	931,222	116,697	112,578	317,977	-	1,478,474
Total Assets	935,514	116,706	127,377	318,048	9,380	1,507,025
LIABILITIES						
Current liabilities:						
Accounts payable	27,354	4,508	-	10,695	49,459	92,016
Accrued interest	1,279	-	-	-	-	1,279
Due to other funds	-	365,100	-	1,970,000	14,321	2,349,421
Claims and judgements	-	-	-	-	48,930	48,930
Leases and subscriptions payable	179,008	31,292	31,401	-	-	241,701
Total Current Liabilities	207,641	400,900	31,401	1,980,695	112,710	2,733,347
Long-term liabilities:						
Claims and judgements	-	-	-	-	402,974	402,974
Leases and subscriptions payable	429,632	55,037	64,969	-	-	549,638
Total Long-term Liabilities	429,632	55,037	64,969	-	402,974	952,612
Total Liabilities	637,273	455,937	96,370	1,980,695	515,684	3,685,959
NET POSITION (DEFICIT)						
Net investment in capital assets	322,582	30,368	16,208	317,977	-	687,135
Unrestricted	(24,341)	(369,599)	14,799	(1,980,624)	(506,304)	(2,866,069)
Total Net Position	$ 298,241	$ (339,231)	$ 31,007	$ (1,662,647)	$ (506,304)	$ (2,178,934)

Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2025

	Garage	Technology Replacement	Police Capital Expenditures	Facilities, Streets, Parks and Pool Capital Expenditures	Self-Insurance Trust	Total
OPERATING REVENUES						
Charges for services:						
Miscellaneous	$ -	$ -	$ -	$ -	$ 80,077	$ 80,077
Total Operating Revenues	-	-	-	-	80,077	80,077
OPERATING EXPENSES						
Supplies and materials	245,233	330,121	-	-	-	575,354
Outside services	128,101	202,437	-	1,690,391	-	2,020,929
Claims expense	-	-	-	-	1,478,491	1,478,491
Depreciation	341,099	-	31,417	7,340	-	379,856
Total Operating Expenses	714,433	532,558	31,417	1,697,731	1,478,491	4,454,630
Operating Loss	(714,433)	(532,558)	(31,417)	(1,697,731)	(1,398,414)	(4,374,553)
NON-OPERATING REVENUES (EXPENSES)						
Loss of disposal of sales of capital assets	(147,907)	-	-	-	-	(147,907)
Interest expense	(111,712)	(3,542)	(2,900)	-	-	(118,154)
Total Non-operating Revenues (Expenses)	(259,619)	(3,542)	(2,900)	-	-	(266,061)
INCOME BEFORE TRANSFERS	(974,052)	(536,100)	(34,317)	(1,697,731)	(1,398,414)	(4,640,614)
Transfers in	700,000	400,000	-	675,000	700,000	2,475,000
Total Transfers	700,000	400,000	-	675,000	700,000	2,475,000
Change in Net Position	(274,052)	(136,100)	(34,317)	(1,022,731)	(698,414)	(2,165,614)
Net Position, Beginning of Year	572,293	(203,131)	65,324	(639,916)	192,110	(13,320)
Net Position, End of Year	$ 298,241	$ (339,231)	$ 31,007	$ (1,662,647)	$ (506,304)	$ (2,178,934)

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Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2025

	Garage	Technology Replacement	Police Capital Expenditures	Facilities, Streets, Parks and Pool Capital Expenditures	Self-Insurance Trust	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments to suppliers and service providers	$ (370,955)	$ (672,348)	$ -	$ (1,752,353)	$ (1,209,311)	$ (4,004,967)
Cash received from (payments to) others	-	-	-	-	1,583,779	1,583,779
Net Cash Provided by (Used for) Operating Activities	(370,955)	(672,348)	-	(1,752,353)	374,468	(2,421,188)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in	700,000	400,000	-	675,000	700,000	2,475,000
Net borrowings (repayments) to other funds	-	306,267	-	1,077,424	(1,074,468)	309,223
Net Cash Provided by Non-Capital Financing Activities	700,000	706,267	-	1,752,424	(374,468)	2,784,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(92,539)	-	-	-	-	(92,539)
Proceeds from sale of capital assets	15,535	-	-	-	-	15,535
Principal paid on leases payable	(144,998)	(30,368)	(30,700)	-	-	(206,066)
Interest paid on leases payable	(111,712)	(3,542)	(2,900)	-	-	(118,154)
Net Cash Used for Capital and Related Financing Activities	(333,714)	(33,910)	(33,600)	-	-	(401,224)
Net increase (decrease) in cash and cash equivalents	(4,669)	9	(33,600)	71	-	(38,189)
Cash and equivalents, beginning of year	8,961	-	48,399	-	-	57,360
Cash and equivalents, end of year	$ 4,292	$ 9	$ 14,799	$ 71	$ -	$ 19,171
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating loss	$ (714,433)	$ (532,558)	$ (31,417)	$ (1,697,731)	$ (1,398,414)	$ (4,374,553)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:						
Depreciation	341,099	-	31,417	7,340	-	379,856
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	-	-	-	-	1,503,702	1,503,702
Increase (decrease) in accounts payable	2,379	(139,790)	-	(61,962)	(14,804)	(214,177)
Increase (decrease) in claims and judgements	-	-	-	-	283,984	283,984
Total Adjustments	343,478	(139,790)	31,417	(54,622)	1,772,882	1,953,365
Net Cash Provided by (Used for) Operating Activities	$ (370,955)	$ (672,348)	$ -	$ (1,752,353)	$ 374,468	$ (2,421,188)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Lease liability	$ 371,231	$ 116,697	$ -	$ -	$ -	$ 487,928
Lease acquisition	(371,231)	(116,697)	-	-	-	(487,928)

STATISTICAL SECTION

This part of the City of Los Alamitos's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

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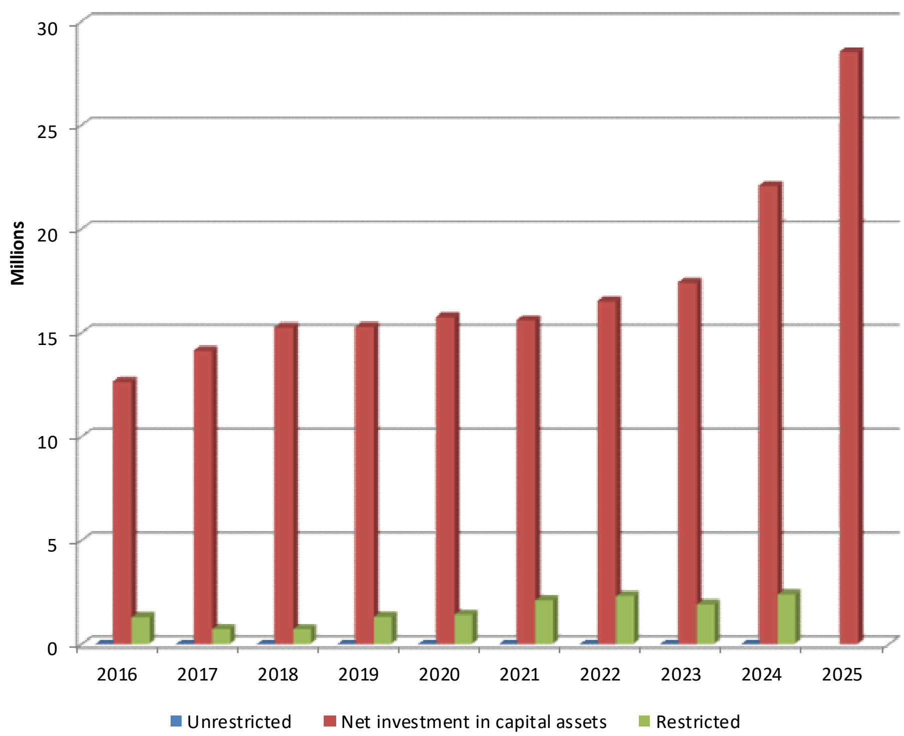
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	2016	2017	2018*	2019	2020
Governmental activities					
Net investment in capital assets	$ 12,658	$ 14,156	$ 15,281	$ 15,315	$ 15,776
Restricted	1,334	764	761	1,350	1,453
Unrestricted	(3,828)	(5,506)	(10,679)	(10,746)	(11,287)
Total governmental activities net position	$ 10,164	$ 9,414	$ 5,363	$ 5,919	$ 5,942

	2021	2022	2023	2024	2025
Governmental activities					
Net investment in capital assets	$ 15,623	$ 16,545	$ 17,439	$ 22,099	$ 28,544
Restricted	2,153	2,353	1,950	2,434	2,828
Unrestricted	(9,608)	(5,197)	(1,899)	(3,442)	(10,847)
Total governmental activities net position	$ 8,168	$ 13,701	$ 17,490	$ 21,091	$ 20,525



Source: City of Los Alamitos, Finance Department

* In Fiscal Year 2017-18 the City implemented GASB Statement No. 75, which resulted in a $3.6 million decrease to the City's net position in relation to accounting for the City's total OPEB liability.

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Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	2016	2017	2018	2019	2020
Expenses					
Governmental activities:					
General government	$ 2,976	$ 2,830	$ 3,517	$ 3,135	$ 3,586
Public safety	5,732	6,922	6,311	6,556	6,912
Community development	685	775	1,104	986	1,091
Recreation and community services	1,834	1,783	1,811	1,746	1,758
Public works	2,339	2,306	2,314	2,415	2,572
Interest and fiscal charges	302	148	141	142	58
Total governmental activites expenses	13,868	14,764	15,198	14,980	15,977
Program Revenues					
Governmental activities:					
Charges for services					
General government	225	272	814	831	1,335
Public safety	808	825	859	916	711
Community development	80	100	198	3	3
Recreation and community services	1,225	1,087	956	937	781
Public works	139	-	-	167	508
Operating grants	398	453	151	442	628
Capital grants and contributions	530	369	391	254	249
Total governmental activites program revenues	3,405	3,106	3,369	3,550	4,215
Net (expense)/revenue					
Governmental activities	(10,463)	(11,658)	(11,829)	(11,430)	(11,762)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	3,118	3,603	3,773	3,946	4,169
Utility users tax	2,092	2,037	2,034	1,968	1,988
Transient occupancy	156	159	167	160	132
Sales	3,357	3,160	3,336	3,597	3,227
Franchise	709	669	691	688	611
Business license	566	609	647	684	730
Other	251	339	429	557	564
	10,249	10,576	11,077	11,600	11,421
Investment income	86	63	102	271	254
Other	185	269	182	115	110
Total governmental activities	10,520	10,908	11,361	11,986	11,785
Changes in Net Position					
Governmental activities	$ 57	$ (750)	$ (468)	$ 556	$ 23

Source: City of Los Alamitos, Finance Department

Changes in Net Position, (Continued)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	2021	2022	2023	2024	2025
Expenses					
Governmental activities:					
General government	$ 3,493	$ 2,548	$ 3,617	$ 4,744	$ 6,688
Public safety	7,135	6,382	8,824	10,882	11,777
Community development	957	1,344	2,121	2,608	4,398
Recreation and community services	1,471	2,043	2,808	3,267	3,895
Public works	2,907	3,226	3,333	2,360	1,378
Interest and fiscal charges	331	138	227	191	239
Total governmental activites expenses	16,294	15,681	20,930	24,052	28,375
Program Revenues					
Governmental activities:					
Charges for services					
General government	914	1,035	1,557	1,829	1,445
Public safety	478	411	390	604	860
Community development	2	1	1	-	10
Recreation and community services	527	892	545	460	513
Public works	353	1	-	-	-
Operating grants	1,872	677	1,071	1,824	1,570
Capital grants and contributions	241	308	264	375	364
Total governmental activites program revenues	4,387	3,325	3,828	5,092	4,762
Net (expense)/revenue					
Governmental activities	(11,907)	(12,356)	(17,102)	(18,960)	(23,613)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	4,455	4,732	5,067	5,301	5,645
Utility users tax	1,834	2,123	2,308	2,830	2,570
Transient occupancy	223	522	635	598	581
Sales	4,855	9,671	10,718	9,632	9,987
Franchise	725	1,071	862	882	850
Business license	886	728	631	1,141	1,049
Other	548	640	671	803	826
	13,526	19,487	20,892	21,187	21,508
Investment income	78	(665)	(132)	1,243	1,263
Other	528	83	131	131	(33)
Total governmental activities	14,132	18,905	20,891	22,561	22,738
Changes in Net Position					
Governmental activities	$ 2,225	$ 6,549	$ 3,789	$ 3,601	$ (875)

Source: City of Los Alamitos, Finance Department

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Subject to Change

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2016	2017	2018	2019	2020
General Fund					
Nonspendable	$ 59	$ 17	$ 18	$ 56	$ 14
Committed	-	-	-	3,607	3,286
Assigned	7,347	7,481	7,662	4,589	4,196
Unassigned	3	56	49	588	2,785
Total General Fund	7,409	7,554	7,729	8,840	10,281
All Other Governmental Funds					
Restricted	1,333	1,334	713	1,180	1,453
Committed					-
Assigned	1,001	345	129	99	200
Unassigned	-	-	-	(4)	(9)
Total All Other Governmental Funds	2,334	1,679	842	1,275	1,644
Total All Governmental Funds	$ 9,743	$ 9,233	$ 8,571	$ 10,115	$ 11,925

Source: City of Los Alamitos, Finance Department

Fund Balances of Governmental Funds, (Continued)
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2021	2022	2023	2024	2025
General Fund					
Nonspendable	$ 7	$ 4	$ 35	$ 61	$ 46
Committed	3	3	1,583	1,583	1,583
Assigned	4,203	4,196	3,900	3,600	3,000
Unassigned	9,403	12,570	14,555	17,467	14,263
Total General Fund	13,616	16,773	20,073	22,711	18,892
All Other Governmental Funds					
Restricted	2,153	2,353	1,950	2,434	2,829
Committed	-	-	134	432	288
Assigned	109	243	339	416	405
Unassigned	(10)	(114)	(114)	(114)	-
Total All Other Governmental Funds	2,252	2,482	2,309	3,168	3,522
Total All Governmental Funds	$ 15,868	$ 19,255	$ 22,382	$ 25,879	$ 22,414

Source: City of Los Alamitos, Finance Department

DRAFT
Subject to Change

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2016	2017	2018	2019	2020
Revenues					
Taxes	$ 10,559	$ 10,724	$ 11,078	$ 11,600	$ 11,422
Licenses and permits	225	272	814	831	1,462
Intergovernmental	245	609	323	294	684
Charges for services	1,459	1,202	1,169	1,121	1,310
Investment earnings	86	63	106	271	254
Fines and forfeitures	781	810	844	900	694
Other	460	476	398	349	301
Total Revenues	13,815	14,156	14,732	15,366	16,127
Expenditures					
General government	2,735	2,029	2,243	2,299	2,405
Public safety	5,711	5,777	5,751	5,886	5,585
Community development	657	715	1,044	928	1,052
Recreation and community services	1,739	1,646	1,598	1,590	1,615
Public works	1,963	1,963	1,943	2,064	1,983
Capital outlay	213	1,972	1,068	332	865
Debt service:					
Principal retirement	75	70	70	70	75
Payment to refunded bond escrow agent	220	-	-	-	-
Interest and fiscal charges	311	142	140	139	136
Total Expenditures	13,624	14,314	13,857	13,308	13,716
Excess of revenues over/(under) expenditures	191	(158)	875	2,058	2,411
Other Financing Sources (Uses)					
Lease Acquisitions					
Transfers in	681	1,280	832	597	808
Transfers out	(1,203)	(2,201)	(1,752)	(1,157)	(1,409)
Refunding bonds issued	3,685	-	-	-	-
Bond premium	133	-	-	-	-
Payment to refunded bond escrow agent	(2,722)	-	-	-	-
Total other financing sources	574	(921)	(920)	(560)	(601)
Net change in fund balances	$ 765	$ (1,079)	$ (45)	$ 1,498	$ 1,810
Debt service as a percentage of noncapital expenditures	2.865%(1)	1.713%	1.640%	1.611%	1.642%

(1) Increase in debt service related to issuance of 2015 Certificates of Participation

Source: City of Los Alamitos, Administrative Services Department

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Subject to Change

Changes in Fund Balances of Governmental Funds, (Continued)
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2021	2022	2023	2024	2025
Revenues					
Taxes	$ 13,526	$ 19,487	$ 21,116	$ 21,519	$ 21,505
Licenses and permits	914	1,035	815	816	780
Intergovernmental	1,888	699	691	1,429	1,101
Charges for services	890	905	881	765	925
Investment earnings	78	(665)	(132)	1,243	1,263
Fines and forfeitures	468	401	575	776	1,574
Other	610	324	774	1,105	500
Total Revenues	18,374	22,186	24,720	27,653	27,648
Expenditures					
General government	2,240	2,993	3,055	4,156	5,557
Public safety	5,938	6,617	7,699	8,455	8,688
Community development	1,185	1,292	1,903	2,257	3,831
Recreation and community services	1,391	1,911	2,485	2,706	3,153
Public works	2,379	2,952	3,034	3,800	4,471
Capital outlay	490	957	2,597	1,772	2,894
Debt service:					
Principal retirement	75	80	94	214	226
Payment to refunded bond escrow agent	-		-	-	-
Interest and fiscal charges	134	130	165	138	127
Total Expenditures	13,832	16,932	21,032	23,498	28,947
Excess of revenues over/(under) expenditures	4,542	5,254	3,688	4,155	(1,299)
Other Financing Sources (Uses)					
Lease Acquisitions			199	-	-
Transfers in	733	828	736	732	630
Transfers out	(1,334)	(1,678)	(1,496)	(1,392)	(3,105)
Refunding bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources	(601)	(850)	(561)	(660)	(2,475)
Net change in fund balances	$ 3,941	$ 4,404	$ 3,127	$ 3,495	$ (3,774)
Debt service as a percentage of noncapital expenditures	1.566%	1.315%	1.405%	1.620%	1.355%

Source: City of Los Alamitos, Administrative Services Department

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2024/25 Use Category Summary - Basic Property Value Table
Last Ten Fiscal Years
(Amounts expressed in thousands)

Category	2016	2017	2018	2019	2020
Residential	$ 1,091,854	$ 1,143,395	$ 1,200,335	$ 1,266,083	$ 1,332,806
Commercial	359,002	365,544	393,211	405,241	427,330
Industrial	278,399	292,535	292,689	308,001	315,346
Institutional	-	-	-	-	-
Miscellaneous	-	-	-	1,793	608
Recreational	-	-	-	-	-
Vacant land	9,710	9,905	11,648	10,088	19,185
SBE Nonunitary	222	222	222	970	970
Cross Reference	3,083	3,998	4,139	4,109	4,177
Unsecured	138,386	154,478	163,741	161,257	164,509
Other	-	-	-	-	-
Totals	$ 1,880,656	$ 1,970,077	$ 2,065,985	$ 2,157,542	$ 2,264,931
Direct rate	0.11571%	0.11578%	0.11578%	0.11821%	0.11848%

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.

Source: HdL Coren and Cone, Orange County Assessor Tax Rate Table

2024/25 Use Category Summary - Basic Property Value Table, (Continued)
Last Ten Fiscal Years
(Amounts expressed in thousands)

Category	2021	2022	2023	2024	2025
Residential	$ 1,408,761	$ 1,479,534	$ 1,601,740	$ 1,698,428	$ 1,786,722
Commercial	459,279	506,538	532,835	584,480	549,298
Industrial	382,149	417,895	438,566	520,831	540,905
Institutional	-	-	-	-	-
Miscellaneous	555	-	572	2,205	1,449
Recreational	-	-	-	-	-
Vacant land	14,902	10,998	948	834	115
SBE Nonunitary	970	401	361	361	361
Cross Reference	3,976	4,002	4,215	4,368	4,797
Unsecured	158,443	189,648	183,150	175,911	238,862
Other	-	-	-	-	-
Totals	$ 2,429,035	$ 2,609,016	$ 2,762,387	$ 2,987,418	$ 3,122,509
Direct rate	1.17510%	0.11703%	0.11703%	0.11656%	11.69800%

Source: HdL Coren and Cone, Orange County Assessor Tax Rate Table

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Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions (1)	Taxable Assessed Value (2)	Total Direct Tax Rate
2016	$ 1,742,048	$ 138,386	$ -	$ 1,880,434	0.116
2017	1,806,377	154,478	-	1,960,855	0.116
2018	1,902,022	163,742	-	2,065,764	0.116
2019	1,995,314	161,257	-	2,156,571	0.116
2020	2,099,452	164,509	-	2,263,961	0.116
2021	2,269,621	158,443	-	2,428,064	0.116
2022	2,418,967	189,648	-	2,609,016	0.117
2023	2,578,876	183,150	-	2,762,386	0.117
2024	2,811,508	175,910	-	2,987,418	0.117
2025	2,833,287	238,862	-	3,211,509	0.117

(1) Exemptions are netted against the individual property categories.

(2) Total includes Nonunitary Taxable Assessed Values.

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.

Source: HdL Coren and Cone, Orange County Assessor Combined Tax Rolls

Direct and Overlapping Property Tax Rates
(Rate per $100 of assessed value)
Last Ten Fiscal Years

	2016	2017	2018	2019	2020
City Direct Rate	0.116	0.116	0.116	0.116	0.116
Overlapping Rates:					
Los Alamitos City General Fund	0.101	0.101	0.101	0.101	0.101
Los Alamitos City Lighting Reorganization	0.016	0.016	0.016	0.016	0.016
Educational Revenue Augmentation Fund	0.145	0.145	0.145	0.145	0.145
Los Alamitos Unified General Fund	0.412	0.412	0.412	0.412	0.412
North Orange Co. Community College District	0.059	0.059	0.059	0.059	0.059
Orange County Department of Education	0.031	0.031	0.031	0.031	0.031
Orange County Fire Authority	0.095	0.095	0.095	0.095	0.095
Orange County Flood Control District General	0.017	0.017	0.017	0.017	0.017
Orange County General Fund	0.052	0.052	0.052	0.052	0.052
Orange County Harbors Beaches & Parks Csa 26	0.013	0.013	0.013	0.013	0.013
Orange County Public Library	0.014	0.014	0.014	0.014	0.014
Orange County Sanitation District 3 Operating	0.027	0.027	0.027	0.027	0.027
Orange County Transit Authority	0.002	0.002	0.002	0.002	0.002
Orange County Vector Control	0.001	0.001	0.001	0.001	0.001
Orange County Water District	0.006	0.006	0.006	0.006	0.006
Orange County Water District reserve	0.000	0.000	0.000	0.000	0.000
Rossmoor/Los Alamitos Sewer District	0.010	0.010	0.010	0.010	0.010
Total Prop 13 Rate	1.000	1.000	1.000	1.000	1.000
Anaheim High School District	0.049	0.043	0.022	0.042	0.040
Cypress Elementary	0.025	0.024	0.031	0.030	0.030
Garden Grove Unified School District	0.047	0.045	0.075	0.068	0.069
Los Alamitos Sfid	0.052	0.048	0.047	0.049	0.080
Metropolitan Water District	0.004	0.004	0.004	0.004	0.004
N. Orange County Community College	0.030	0.029	0.029	0.028	0.024
Total Voter Approved tax Rate	0.207	0.192	0.207	0.221	0.247
Total Tax Rate	1.207	1.192	1.207	1.220	1.247

Source: HdL Coren and Cone, Orange County Assessor 2015/2016 - 2023/2024 Tax Rate Table

Direct and Overlapping Property Tax Rates, (Continued)
(Rate per $100 of assessed value)
Last Ten Fiscal Years

	2021	2022	2023	2024	2025
	0.116	0.117	0.117	0.117	0.117
Los Alamitos City General Fund	0.101	0.101	0.101	0.101	0.101
Los Alamitos City Lighting Reorganization	0.016	0.016	0.016	0.016	0.016
Educational Revenue Augmentation Fund	0.145	0.145	0.145	0.145	0.145
Los Alamitos Unified General Fund	0.412	0.412	0.412	0.412	0.412
North Orange Co. Community College District	0.059	0.059	0.059	0.059	0.059
Orange County Department of Education	0.031	0.031	0.031	0.031	0.031
Orange County Fire Authority	0.095	0.095	0.095	0.095	0.095
Orange County Flood Control District General	0.017	0.017	0.017	0.017	0.017
Orange County General Fund	0.052	0.052	0.052	0.052	0.052
Orange County Harbors Beaches & Parks Csa 26	0.013	0.013	0.013	0.013	0.013
Orange County Public Library	0.014	0.014	0.014	0.014	0.014
Orange County Sanitation District 3 Operating	0.027	0.027	0.027	0.027	0.027
Orange County Transit Authority	0.002	0.002	0.002	0.002	0.002
Orange County Vector Control	0.001	0.001	0.001	0.001	0.001
Orange County Water District	0.006	0.006	0.006	0.006	0.006
Orange County Water District Reserve	0.000	0.000	0.000	0.000	0.000
Rossmoor/Los Alamitos Sewer District	0.010	0.010	0.010	0.010	0.010
Total Prop 13 Rate	1.000	1.000	1.000	1.000	1.000
Anaheim High School District	0.040	0.038	0.030	0.032	0.033
Cypress Elementary	0.033	0.030	0.032	0.031	0.029
Garden Grove Unified School District	0.070	0.074	0.063	0.067	0.061
Los Alamitos Sfid	0.093	0.079	0.082	0.072	0.070
Metropolitan Water District	0.004	0.004	0.004	0.004	0.007
N. Orange County Community College	0.032	0.029	0.028	0.017	0.017
Total Voter Approved tax Rate	0.271	0.253	0.238	0.222	0.217
Total Tax Rate	1.271	1.253	1.238	1.222	1.217

Source: HdL Coren and Cone, Orange County Assessor 2015/2016 - 2023/2024 Tax Rate Table

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Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts expressed in thousands)

	2025		2016	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Los Alamitos APG LLC	$ 133,110	4.263%		
The Regents	92,492	2.962%		
Duke Realty Los Alamitos LP	68,462	2.193%		
Fine US Long Beach LLC	62,620	2.005%		
JCB Merger Sub LLC	45,895	1.470%		
Trend Offset Printing Inc.			$ 49,601.0	2.793%
Bar Bakers LLC	35,751	1.145%		
Lampson Park Place LLC				
Los Alamitos Luxury Apartments LLC	28,566	0.915%		
Los Alamitos Medical Center	46,222	1.480%	104,326	5.874%
Los Alamitos Corporation Center JV			55,556	3.128%
Epson America USA				
CGM Katella LLC			18,232	1.027%
Ganahl Lumber Company			15,592	0.878%
Don Wilson Staples LLC			31,555	1.777%
JCB Inc Tinicum Corporation			17,728	0.998%
Bayport Los Alamitos Associates LP			129,112	7.269%
Fine US Long Beach LLC				
Davenport KCC Partners LLC				
Arrowhead Products Corporation			13,650	0.769%
Golden State Water Company	33,492	1.073%		
Millrose Properties California LLC	27,570	0.883%		
Katella Property Owner LLC			13,000	0.732%
Top Ten Totals	$ 574,180	18.388%	$ 448,352	25.24%
City Totals	$ 2,966,736		$ 1,776,130	

Source: HdL Coren and Cone, Orange County Assessor 2014/15 and 2023/24 Tax Rolls

Property Tax Levies and Collections
Last Ten Fiscal Years
(Amounts expressed in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections for Prior Years (1)	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2016	$ 2,261,032	$ 2,220,841	98.222%	$ 18,519	$ 2,239,360	99.041%
2017	2,347,295	2,314,148	98.588%	17,812	2,331,960	99.347%
2018	2,457,342	2,440,391	99.310%	16,019	2,456,410	99.962%
2019	2,679,049	2,629,318	98.144%	16,951	2,646,269	98.776%
2020	2,786,377	2,742,208	98.415%	21,973	2,764,181	99.203%
2021	2,903,005	2,761,268	95.118%	18,858	2,780,126	95.767%
2022	2,950,445	2,737,154	92.771%	18,843	2,755,997	93.410%
2023	3,007,393	2,762,386	91.853%	22,187	2,784,573	92.591%
2024	3,155,501	2,987,413	94.673%	22,741	3,010,154	95.394%
2025	3,294,986	3,150,756	95.623%	28,042	3,178,798	96.474%

(1) Total amount of delinquent taxes collected in each fiscal year; information regarding levy year to which delinquent tax collections pertain is not provided by the Orange County Auditor- Controller.

Source: Orange County Auditor - Controller

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts expressed in thousands, except per capita)

Fiscal Year	Governmental Activities: Certificates of Participation	Leases	Subscription	Total Primary Government	Debt as a Percentage of Personal Income[1]
2016	$ 3,685	$ -	$ -	$ 3,685	0.874%
2017	3,615	270	-	3,885	0.849%
2018	3,545	204	-	3,749	0.871%
2019	3,475	137	-	3,612	0.869%
2020	3,400	69	-	3,469	0.782%
2021	3,325	68	-	3,393	0.704%
2022	3,245	62	-	3,307	0.688%
2023	3,261	688	-	3,949	0.772%
2024	3,171	739	-	3,910	0.687%
2025	3,077	799	86	3,962	0.696%

[1] Ratio is calculated using personal income and population data for the prior calendar year.

Source: City of Los Alamitos, Finance Department

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Direct and Overlapping Governmental Activity Debt
As of June 30, 2025
(Amounts expressed in thousands)

2024-2025 Taxable Assessed Valuation: $3,122,396,231

	Total Debt 6/30/2025	Percent Applicable to City (1)	City's Share of Debt 6/30/2025
DIRECT DEBT			
Vehicle Lease Liability	$ 609	100.000%	$ 609
Warehouse Lease Liability	94	100.000%	94
Camera Lease Liability	96	100.000%	96
Subscription Liability	86	100.000%	86
Bonded Debt	3,077	100.000%	3,077
TOTAL DIRECT DEBT			$ 3,962
OVERLAPPING TAX ASSESSMENT DEBT:			
Metropolitan Water District	17,155	0.077%	$ 13
N.OC Community College 2014 Bond Series B	275,135	1.728%	4,754
Garden Grove USD 2016 Series 2021	509,370	0.010%	51
Los Alamitos SFID #1 2008 Series A	213,215	23.813%	50,773
Anaheim High 2014 Bond Series 2019	424,314	0.096%	407
Cypress Elementary 2008 Bond, Series B1 & B2	29,484	0.641%	189
TOTAL OVERLAPPING TAX ASSESSMENT DEBT:			$ 56,187
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	429,065	0.384%	$ 1,648
Orange County Board of Education Cert of Participations	9,120	0.384%	35
Los Alamitos SFID #1 2008 Series 2020G	27,038	21.265%	5,750
Anaheim High 2018 Bond Series 2014	26,880	0.098%	26
Cypress Elementary 2008 Bond Series A	2,096	0.665%	14
N.OC Community College 2014 Bond Series A	6,880	1.771%	122
City of Los Alamitos Certificate of Participation	2,985	100.000%	2,985
Lease payable			799
Subscription payable			86
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			$ 11,465
TOTAL DIRECT DEBT			3,962
TOTAL OVERLAPPING DEBT			56,187
TOTAL DIRECT & OVERLAPPING DEBT			$ 60,149

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

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Assessed Valuation:
- Total Direct Debt...0.10%
- Overlapping Debt.. 1.80%

Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for the Current Year	
Assessed value	$ 3,122,396,231
Debt limit (15% of assessed value)	468,359,435
Debt applicable to limit	-
Legal debt margin - Current Year	$ 468,359,435

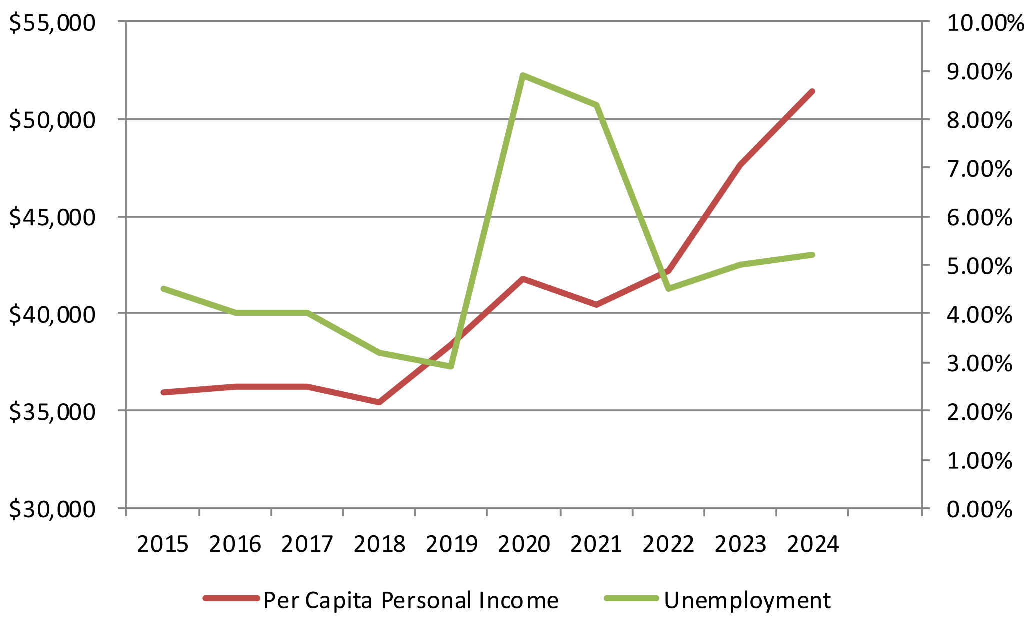
Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2016	$ 282,098,369	$ -	$ 282,098,369	-
2017	294,161,529	-	294,161,529	-
2018	309,897,790	-	309,897,790	-
2019	323,585,613	3,612,467	319,973,146	1.12%
2020	343,305,168	3,565,517	339,739,651	1.04%
2021	367,857,100	3,325,000	364,532,100	0.90%
2022	394,702,562	3,350,121	391,352,441	0.85%
2023	414,562,396	3,160,000	411,402,396	0.76%
2024	442,992,617	3,075,000	439,917,617	0.69%
2025	468,359,435	2,985,000	465,374,435	0.64%

Source: City of Los Alamitos, Finance Department

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2015	$ 11,725	$ 437,214	$ 37,289	5.50%
2016	11,739	425,943	36,284	4.00%
2017	11,863	430,396	36,280	3.20%
2018	11,721	415,852	35,479	2.90%
2019	11,567	443,756	38,363	8.90%
2020	11,538	481,688	41,747	8.30%
2021	11,873	480,337	42,156	4.50%
2022	12,129	511,316	42,156	5.00%
2023	11,947	569,293	47,651	5.20%
2024	11,846	608,932 *	51,404 *	5.20%

Per Capita Personal Income and Unemployment



Sources: Population: Data Commons
Unemployment Rate: Bureau of Labor Statistics
Personal Income and Per Capita Income: Census Bureau *Estimated* *

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Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
City Council	5	5	5	5	5	5	5	5	5	5
Administration	8	8	8	8	6	6	7	8	10	12
Community Development										
Administration	1	1	1	1	1	1	1	3	6	8
Planning	1	1	1	1	1	1	1	1	1	1
Neighborhood Preservation	1	1	1	1	1	1	1	1	1	2
Police										
Administration	4	4	4	4	4	4	5	5	5	5
Patrol	19	19	18	18	13	13	15	15	15	13
Investigation	3	3	3	3	3	2	3	4	3	3
Records	2	2	2	2	2	3	3	3	3	3
Crossing Guards	3	1	1	1	1	1	1	1	1	1
Other PD Support	2	2	2	2	2	3	3	0	3	3
Public Works										
Admin/Engineering	1	1	1	1	1	1	4	3	1	1
Maintenance	10	10	9	9	7	7	6	6	10	11
Recreation & Community Services										
Administration	5	5	4	4	4	2	7	3	6	6
Recreation/Cultural	15	14	11	11	11	9	11	5	6	6

Source: City of Los Alamitos, Finance Department

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020
Community Development					
Number of:					
Business licenses	2,169	2,068	2,153	1,806	2,046
Plan checks	96	93	108	98	74
NPDES inspections	60	60	157	85	79
Code violations	267	267	483	420	451
Police					
Number of:					
Part 1 crimes	252	268	209	193	189
Parking violations	3,963	2,997	4,043	4,221	1,471
Traffic (moving) violations	1,473	2,885	1,430	1,114	342
Incident & crime reports	1,167	1,254	896	752	729
Public Works					
Square yd of street resurfacing/repair	-	-	-	-	-
Miles of street sweeping	33	33	33	33	33
Number of:					
Street signal maintained	25	25	25	25	21
Trees pruned per year	991	991	991	991	995
Square feet graffiti removal	1,205	1,205	1,205	1,205	900
Recreation & Community Services					
Total in attendance:					
Aquatics	163,000	-	-	-	-
Community Services/Seniors	13,180	14,000	14,100	18,390	17,040
Day Camp	2,800	3,000	4,040	3,500	3,200
Park Program	4,262	4,140	4,040	3,000	2,400
Sports	35,500	30,000	30,500	28,234	14,970
Classes	8,900	8,900	8,800	10,300	9,960
Special Events	30,475	34,820	35,000	38,225	31,600

NA - Not Available

Source: City of Los Alamitos, Finance Department

Operating Indicators by Function/Program, (Continued)
Last Ten Fiscal Years

Function/Program	2021	2022	2023	2024	2025
Community Development					
Number of:					
Business licenses	2,630	2,413	2,220	2,317	2,296
Plan checks	81	338	408	398	27
NPDES inspections	9	55	75	85	75
Code violations	946	1,892	1,194	1,006	1,130
Police					
Number of:					
Part 1 crimes	330	157	343	197	302
Parking violations	1,470	3,835	1,915	2,794	3,998
Traffic (moving) violations	636	677	1,313	784	1,626
Incident & crime reports	1,046	1,044	1,116	863	1,426
Public Works					
Square yd of street resurfacing/repair	-	62,445	75,750	15,000	29,854
Miles of street sweeping	33	858	3,604	3,604	3,604
Number of:					
Street signal maintained	22	28	72	21	21
Trees pruned per year	1,375	1,529	1,832	272	720
Square feet graffiti removal	1,100	1,836	2,412	108	3,027
Recreation & Community Services					
Total in attendance:					
Aquatics	-	-	885	3,000	3,000
Community Services/Seniors	16,000	21,600	23,760	23,000	24,500
Day Camp	4,500	4,400	4,840	4,900	4,900
Park Program	2,250	1,800	2,000	2,000	1,800
Sports	13,000	15,500	17,248	17,200	19,000
Classes	8,000	11,000	12,100	12,000	13,500
Special Events	20,000	35,020	41,650	42,000	37,750

NA - Not Available

Source: City of Los Alamitos, Finance Department

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Community Develoment										
Code enforcement vehicles	1	1	1	1	1	2	2	2	3	2
EV Vehicles (Cart)									2	2
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	7	8	8	8	8	10	13	9	11	12
Other Vehicles	9	9	9	9	9	11	11	16	19	19
Public Works										
Streets (Miles)	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Street lights	911	911	911	911	911	911	911	911	911	911
Traffic signals	25	25	25	25	25	25	25	25	25	25
Public works vehicles	13	13	11	11	11	11	11	10	15	16
Recreation & Community Services										
Youth centers	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Parks	9	9	9	9	9	9	9	9	9	9
Community service vehicles	2	2	3	3	3	3	3	5	6	7

Source: City of Los Alamitos, Administrative Services Department

Top 10 Businesses for Fiscal Years 2024/25

Ranking	Firm Name
1	Ganahl Lumber
2	Amazon MFA
3	Katella Bakery & Deli
4	Ikon Office Solutions
5	7 Eleven
6	Medline Industries
7	Amazon Com Services Inc
8	Mamas Comfort Food
9	Siteone Landscape Supply
10	Chevron

Source: HdL Coren and Cone, Sales Tax Trends and Economic Drivers

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Principal Employers
Current Year and Ten Years Ago

EMPLOYER	FY2024-2025 Employees	FY2024-2025 Rank	FY2024-2025 % of Total City Employment	FY2015-2016 Employees	FY2015-2016 Rank	FY2015-2016 % of Total City Employment
Los Alamitos Medical Center				1,100	1	7.79%
Arrowhead Products	700	1	4.81%	661	2	4.68%
Trend Offset Printing				601	3	4.26%
Epson America	572	2	3.93%			
Bar Bakers, LLC	430	3	2.95%			
Alliance Space Systems	173	6	1.19%	127	8	0.90%
Katella Delicatessen-Restaurant-Bakery, Inc.	219	5	1.50%	189	4	1.34%
Bearing Inspection, Inc.	109	8	0.75%	98	10	0.69%
Ganahl Lumber				129	7	0.91%
Alamitos West Health & Rehabilitation	150	7	1.03%	158	5	1.12%
Millie & Severson Inc.				133	6	0.94%
Grating Pacific				99	9	0.70%
Bar Bakers L L C	403	4				
Watersafe Swim School, Inc	102	9				
Collaborative Neuorscience Research, LLC	91	10				
Total	2,949		16.16%	3,295		23.33%

Source: HdL Companies, City Planning Department, and State of California Employment Development Department

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Honorable City Council
City of Los Alamitos, California

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos (the entity) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements, and have issued our report thereon dated December XX, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entity's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Entity's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the entity's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The entity's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Bernardino, California
December XX, 2025

2025-001 – Excess Expenditures Beyond Appropriations
Significant Deficiency

Criteria:

State law and the City's charter require that expenditures do not exceed appropriations approved by the governing body. *Government Auditing Standards* and applicable compliance requirements mandate adherence to these budgetary controls.

Condition:

During our audit of the City's financial statements for the fiscal year ended June 30, 2025, we noted that actual expenditures of certain department expenditures in the General Fund exceeded the legally adopted budget by $2,936,245.

Cause:

The City lacked formal procedures for monthly budget monitoring and did not enforce timely variance analysis. Budget amendments were not consistently reviewed or approved by the governing body before additional expenditures were incurred.

Effect:

Failure to maintain adequate budgeting controls increases the risk of overspending, noncompliance with state law, and potential financial instability. It also undermines accountability and transparency in financial management.

Recommendation:

We recommend the City implement the following internal control improvements:

- Establish formal monthly budget-to-actual review procedures.
- Require documented approval for all budget amendments prior to incurring additional expenditures.
- Provide training to finance staff on internal control and compliance requirements.

Management's Response:

Management discussed this with the auditor and provided explanations for the variances. In most cases, the overages were due to additional contractual expenditures that were not contemplated when the budget was prepared. An additional budgeting tool has been implemented for FY25-26, whereby a quarterly review of budget-to-actual expenditures will be presented to the Council and departments to assist in tracking their respective departmental expenditures. Earlier detection of variances will be beneficial in monitoring department expenditures to avoid excess expenditures beyond appropriations and allow for more timely adjustments if additional appropriations are needed and warranted.

DRAFT SUBJECT TO CHANGES

December XX, 2025

To the Honorable City Council
City of Los Alamitos, California

We have audited the financial statements of the City of Los Alamitos (the entity) as of and for the year ended June 30, 2024, and have issued our report thereon dated December XX, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 9, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system 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 entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the entity solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated December XX, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

We have evaluated whether certain nonattest services performed by our firm during the audit have created a significant threat to our independence in relation to the entity. We have identified a threat to our independence (preparation of the entity's financial statements, creating a self-review threat) that if not reduced to an acceptable level, would impair our independence. In order to reduce the threat to an acceptable level, we have applied the following safeguard:

> Prior to the issuance of the entity's financial statements, another partner or manager, independent of the engagement, will review the financial statements.

Significant Risks Identified

We have identified the possibility of the following significant risks:

> *Management's override of internal controls over financial reporting* – Management override of internal controls is the intervention by management in handling financial information and making decisions contrary to internal control policy.
>
> *Revenue recognition* – Revenue recognition is a generally accepted accounting principle that refers to the conditions under which an entity can recognize a transaction as revenue. Auditing standards indicate that recognizing revenue is a presumed fraud risk and usually classified as a significant risk in most audits.

These significant risks are presumptive in most audits and merit attention by the auditors due to the direct impact over financial reporting and internal control processes. Although identified as significant risks, we noted no matters of management override of controls or deviations from generally accepted accounting principles which caused us to modify our audit procedures or any related matters which are required to be communicated to those charged with governance due to these identified risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the entity is included in Note 1 to the financial statements. The entity adopted GASB Statement No. 101, *Compensated Abcenses* during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the entity's financial statements are:

Management's estimate of the net pension liability and related deferred inflows and outflows of resources are based on actuarial reports by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the liability for other post-employment benefits (OPEB) and related deferred inflows and outflows of resources are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the entity's financial statements relate to:

The disclosure of fair value of investments in the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets (and related accumulated depreciation) in the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of net pension liability and related deferred inflows and outflows of resources in the basic financial statements is based on actuarial assumptions. Actual future liabilities and actuarial deferred inflows and outflows may vary from disclosed estimates.

The disclosures of the other post-employment benefits (OPEB) liability and related deferred inflows and outflows of resources in the basic financial statements is based on actuarial assumptions. Actual future liabilities and actuarial deferred inflows and outflows may vary from disclosed estimates.

The disclosure of leases and subscription liabilities, right-to-use assets, and asset amortization in the basic financial statements is based on certain terms and assumptions in the agreements which could differ from actual amounts.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the entity's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated December XX, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the entity, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the entity's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

> Read the transmittal letter and statistical section and considered whether a material inconsistency existed between the other the information and the basic financial statements, or the other information otherwise appears to be materially misstated. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the City Council and management of the entity and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

City of Los Alamitos

BUDGET STANDING COMMITTEE AGENDA REPORT

MEETING DATE: December 8, 2025 **ITEM NUMBER: 5E**

To: **Budget Standing Committee Members**

Presented By: **Craig Koehler, Director of Finance**

Subject: **Credit Cards for Council Members**

SUMMARY

Consider issuing credit cards for Council members to use for travel-related expenses.

RECOMMENDATION

Review, discuss, and provide input to Staff.

BACKGROUND

Council Members frequently travel throughout the year for Council-related conferences and events. Charges for travel and expenses are currently coordinated with the City Clerk's office.

DISCUSSION

The City Clerk's Office coordinates registration, travel, and hotel expenses. Generally, for hotel accommodations, the City Clerk's credit card is used to make the reservation. This system has, however, created instances where hotels have declined to honor reservations, forcing Council members to use their personal cards to secure the rooms.

To expedite that process, Cal Cards could be issued to each Council Member for travel only. A recommended card limit could be set at $5,000, and single purchase transactions would be limited to $2,500 to be in compliance with the Purchase Policy and Municipal Code. The cards would be held by the City Clerk's Office. The card would be checked out before each travel event by the respective Council Member and returned, with all applicable receipts, following the event. The Council Member would be responsible for timely forwarding any receipts for charges acquired during the month. The City Clerk's Office will prepare the Cal Card report for processing through Laserfiche and approval for payment by the Finance Department. An Administrative Regulation will be established by the City Manager to ensure consistent implementation and uniform application.

FISCAL IMPACT

None.

Attachment: None