

*City of*  
**Rancho Santa Margarita**  
*California*

# Annual Comprehensive Financial Report



**For the Year Ending  
June 30, 2021**



# *Annual Comprehensive Financial Report*

*For the Year Ended June 30, 2021*

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*Finance Division*

*City of Rancho Santa Margarita, California*

# City Council



L. Anthony Beall  
Mayor



Anne D. Figueroa  
Mayor Pro Tempore



Carol A. Gamble  
Council Member



Jerry Holloway  
Council Member



Bradley J. McGirr  
Council Member

City of Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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# Introductory Section



*Rancho Santa Margarita*  
*California*





# CITY OF RANCHO SANTA MARGARITA

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949.635.1800 • fax 949.635.1840 • [www.cityofrsm.org](http://www.cityofrsm.org)

December 15, 2021

To the Honorable Mayor and City Council  
City of Rancho Santa Margarita  
Rancho Santa Margarita, California

It is with great pleasure that I present to you the City of Rancho Santa Margarita's 21st Annual Comprehensive Financial Report. This report complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. This financial reporting model is intended to improve financial reporting by adding significant information not previously available in local government financial statements.

The government-wide financial statements include a Statement of Net Position that provides the total net equity of the City, including infrastructure, and the Statement of Activities that demonstrates the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, this reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These statements, combined with other information, are further analyzed in a narrative section entitled Management's Discussion and Analysis (MDA). The MDA provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. Furthermore, the MDA is intended to disclose any known significant events or decisions that affect the financial condition of the City.

In prior fiscal years and most recently 2021, the City performed a condition assessment of the pavement subsystem, which is required every two years for Measure M transportation funding eligibility and every three years for financial reporting purposes, and affirmed that these infrastructure assets are above the condition level established by the government. There were no new GASB standards implemented for the current fiscal year. The Annual Comprehensive Financial Report for fiscal year ended June 30, 2021 includes all of the required GASB standards applicable to the City. The City of Rancho Santa Margarita is proud to be on the leading edge of local governmental financial reporting.

The Annual Comprehensive Financial Report includes the financial activity for all funds of the City. The City provides a wide range of services including planning, building, public works, engineering, police and fire protection, recreation and general administrative activities. These services are delivered through a combination of City staff and contractual agreements.

<b>Mayor</b> L. Anthony Beall	<b>Mayor Pro Tempore</b> Anne D. Figueroa	<b>Council Member</b> Carol A. Gamble	<b>Council Member</b> Jerry Holloway	<b>Council Member</b> Brad J. McGirr	<b>City Manager</b> Jennifer M. Cervantez
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Included as a part of this letter are several attachments that provide important information regarding the operations and economic environment of the City. The attachments are summarized as follows:

**Attachment Content**

- A Economic Condition and Outlook
- B Major Projects for the Year and for the Future
- C Other Information

The Annual Comprehensive Financial Report of the City of Rancho Santa Margarita for the fiscal year ended June 30, 2021, is hereby presented. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

The preparation of the Annual Comprehensive Financial Report, in accordance with the GASB 34 financial reporting model, was made possible by the dedicated work of the Finance Department staff. Each member of the staff has my sincere appreciation for their contributions made in the preparation of this report.

Respectfully submitted,



Jennifer M. Cervantez  
City Manager

## ATTACHMENT A

### *ECONOMIC CONDITION AND OUTLOOK*

Rancho Santa Margarita is located 58 miles southeast of Los Angeles. The City is distinguished by its high-end residential neighborhoods and small-town charm. In Fiscal Year 2021, sales, motor vehicle in-lieu, and property taxes made up approximately 82% of the City's general revenues.

This is the City's 21st fiscal year since incorporation, and the 19th consecutive year that the City provided and paid the full cost of all services transitioned from the County of Orange, including contractual Police Services, which account for over 50% of General Fund expenditures.

For the fiscal year ended June 30, 2021, the City continued on a conservative yet positive economic course as the City navigated its way through the impacts of the COVID-19 health crisis. The City Council's adopted budget for FY 2020/21 funded all services by utilizing operating revenues, as well as, the use of General Fund emergency reserves. However, some of the City's revenue sources performed much better than expected and the use of emergency reserves to cover expenditures was not necessary. At year-end, General Fund revenues, outside of transfers in, exceeded budgeted revenues by \$1,337,381. Revenues outperformed expectations due to higher sales tax revenue as people had extra discretionary income due to government relief payments, fewer entertainment and travel options, as well as, people spent less money on work related costs, as people worked from home. General fund expenditures, not including transfers out, came in under budget by \$2,169,170 compared to budgeted amounts. This savings can be attributed to controlled spending throughout the fiscal year due to constant monitoring of possible revenue impacts from the highly restrictive State orders and longer than anticipated closure of various businesses stemming from the COVID-19 health crisis. A large portion of the savings stems from the Bell Tower Regional Community Center (BTRCC) remaining closed to the public through the entire fiscal year. The City's budget included operational costs for the BTRCC for a re-opening beginning in January 2021; however, due to State restrictions the building remained closed through June 2021. Additional savings was experienced in Public Safety where the City was able to offset the Orange County Sheriff's Department law enforcement costs with earned contract vacancy credits and a portion of the CARES Act funds. The CARES Act allows for reimbursement towards police services, as police services are deemed substantially dedicated towards the response to the COVID-19 health crisis. Before the pandemic, the City was able to achieve an overall budget savings without affecting core City service levels to residents and businesses, but unfortunately, the City was forced to keep the BTRCC closed, which has had a direct impact on senior services, recreation classes, and rentals. Transfers in netted with transfers out were under budget by \$142,505 with an overall positive variance of \$3,649,056 between budget and actuals. The net operating surplus of \$2,523,511 includes growth in property tax and building permit fees, and higher than anticipated sales tax revenues, but is primarily due to expenditure savings within the City departments. The FY 2020/21 budget also assumed the use of reserve funds for planned expenditures for various capital projects. The capital projects included the Habitat Restoration Project, Annual Slurry Seal program, and the HVAC Unit upgrade project.

## ***ECONOMIC CONDITION AND OUTLOOK CONTINUED***

Revenues for Fiscal Year 2020/21 increased over budget estimates by approximately \$1,337,381. Growth in property tax, property tax in-lieu of VLF, and property tax transfer revenue contributed \$300,918, sales tax revenues reflected an increase of \$1,690,877 compared to budget estimates. The significant increase in sales tax revenue stems partially from a comparison to a reduced estimated budget due to unknown impacts of the COVID-19 health crisis. Sales tax also reflects an increase due to the types of businesses in the City and the increase in online sales tax revenues through the state and countywide pools, which allowed the City to fare much better than initially projected. The City was able to experience growth in various other revenue categories with continued growth recorded in areas such as fees and permits, fines, forfeits and penalties, and other revenue. The City reflected higher growth of \$176,735 in building permit revenue and other revenue increased by \$37,579 stemming mostly from insurance claim payments to the City. The City again experienced lower franchise cable fee revenues, but growth in both gas and electricity franchise revenues compared to prior years. Intergovernmental was below budget due to increases in CDBG-CV grant funds that were allocated to the City but not spent in FY 2020/21. These funds have been reallocated into the FY 2021/22 adopted budget. One of the hardest hit revenue categories was Charges for Services, as although, building permit fees, and engineering and recycling deposits came in higher than budgeted, revenue generally derived from the Bell Tower Regional Community Center was not collected due to the health crisis and the closure of the building for the entire fiscal year. Since the City had planned to re-open mid-fiscal year, the budget included modest revenue estimates that were never realized. This decreased the overall revenues collected by approximately \$157,091. Investment income decreased significantly as interest rates fell and remained extremely low throughout the fiscal year. Although the COVID-19 health crisis had a negative impact on certain general fund revenues, the City was able to come in above budget due to an overall conservative and fiscally responsible budget, as well as, an increase in sales tax revenues that were not anticipated during the preparation of the FY 2020/21 budget due to the unknown impacts of the health crisis at that time.

Over many years, City Council has taken a fiscally responsible approach in approving the City Budget. It has been a main goal to provide excellent service, programs, and activities for its residents, with maintaining a healthy fund balance for a possible rainy day. In coordination with staff, consultants, and other government agencies, the FY 2021/22 budget was prepared with a nominal operating surplus using the best estimates and knowledge of the current COVID-19 protocols and impacts. The FY 2021/22 budget re-instates most of the expenditures cut from the previous budget based on the States re-opening plan and lifting of COVID-19 restrictions. The budget also includes the use of American Rescue Plan Act funds towards specific general fund operations. The City Council has governed the City with conservative and thoughtful consideration of not just the finances of the City, but also the overall quality of life for its residents and businesses and all those who call the City of Rancho Santa Margarita home.

Although the COVID-19 health crisis had an impact on general fund revenues, Sales tax fared much better than expected and was still the City's largest revenue source at \$7,713,518, or 39%, of General Fund revenue for the fiscal year ended June 30, 2021, when

## *ECONOMIC CONDITION AND OUTLOOK CONTINUED*

compared to individual property tax revenues. Motor vehicle fees and VLF in-lieu taxes of \$5,129,117 made up the City's second largest revenue source at 26% of general revenues. Property taxes and property tax transfer revenue of \$3,251,519 accounted for 17% of general revenues.

Current year sales tax revenue estimates reflect a decrease from the prior year actual sales tax revenue based on assumptions that the economy would show significant recovery but a portion of sales would shift back to non-taxable services and activities. However, sales tax is still expected to reflect growth over the coming year especially in the state and countywide use tax pools, as many consumers have discovered new online alternatives and most expect to continue this new pattern. The City experienced significant growth in online sales tax revenue due to the Wayfair decision; however, the recent change to the pool allocation methods by the California Department of Tax and Fee Administration reduced the current sales tax estimate and will change the City's pool allocations going forward. The City continues to monitor sales tax revenues, but anticipates continued growth as the economy recovers.

The City's outlook for current year estimated property tax revenue of \$3.11 million, which includes property transfer tax revenues, looks promising as the assessed property values increased between 2019/20 and 2020/21. At this time, information suggests that property tax should not be significantly impacted in the current fiscal year, but there is still uncertainty on how and if changes in interest rates and other economic variables will effect property taxes in future years. The COVID-19 health crisis has had a significant impact on the City especially in the area of Community Services; however, the City has taken measured steps to move forward as the situation improves and has prepared a thorough and fiscally responsible budget for FY 2021/22. Although certain data points to positive and on-going improvement in general economic conditions, the City remains cautious as it steadily moves forward.

## **ATTACHMENT B**

### ***MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE***

#### **Land Settlement**

The City settled a multi-year dispute with Orange County over land transfers from the City's incorporation in 2000. As part of the settlement, the City transferred to the County an environmentally significant 15 acre parcel of land it purchased in 2009. In return, along with other settlement transactions, the County conveyed 92 acres of land to the City that may be developable and economically useful. The settlement was finalized and recorded in Fiscal Year 2010. As a result of the settlement, the City was required to restore and enhance at least 80 acres of other land to native habitat conditions, and in addition, will have the opportunity to develop an active sports park. The City contracted with Habitat Restoration Sciences, Inc. and the restoration has been completed. Over the last five years, the City has been in the maintenance phase of the 82.9 acre Upper Oso Habitat Restoration Project, which was completed in FY 2019/20. The City has received final signature approval from the U.S. Fish and Wildlife Agency dated October 26, 2021 and will now proceed to officially close the project and hand over the site to the Orange County Parks Department.

#### **Public Safety**

Based on the Federal Bureau of Investigation's (FBI) Uniform Crime Reporting database, the City of Rancho Santa Margarita has consistently been ranked as one of the safest cities in California, since incorporation in the year 2000. Once again, the latest UCR report distributed in 2020 revealed that Rancho Santa Margarita is ranked as the #1 safest city in the County of Orange for cities with a population over 35,000. Safewise, a city ranking firm, ranked the city of Rancho Santa Margarita as the #2 safest city in the entire State of California, with the lowest amount of property crimes of any city in the State. The latest preliminary 2021 crime statistics indicate that Rancho Santa Margarita continues to match the previous years' overall Part 1 and Part 2 crime rates. Based on the statistical crime data and current trends, Rancho Santa Margarita Police Services' deployment model is well positioned to respond to California's rapidly changing criminal justice system.

#### **Public Works Improvements**

Major projects included annual slurry seal programs for (\$448,983), as well as, annual concrete repair and pavement rehabilitation projects at a cost of \$127,016. Other projects include the Plano Trabuco Road Knuckle (\$6,948) and median hardscape and landscape renovations of (\$9,415). The City also initiated and completed various projects including signal and equipment upgrades, signal enhancements and maintenance, and traffic calming for a combined total of \$174,662. The City also completed the installation of new flooring at City Hall and a new courtyard gate between City Hall and the BTRCC for a combined total of (\$128,308). The City used American Rescue Plan Act funds toward the initial upgrades to the HVAC system at the BTRCC (\$29,745). Final costs associated with the closeout of the 82.9 acre Upper Oso Habitat Restoration Project were \$8,643. The City completed the Storm Drain System Study at a cost of \$80,697 in the current year. Local park trust funds were used toward the continuing construction of the Splash Pad at Central Park (\$340,616). Construction on the SMP Bridge Hinge Repair project has been completed with cost of \$2,857,771 in FY 2020/21

## ***MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE, CONTINUED***

### **Community Services Programs**

The City's Community Services Department provides programming that enhances the quality of life for residents in the community. The breadth of activities offered at the Community Center are designed to provide opportunities for learning new skill, building a sense of community, enhancing cultural understanding and maintaining healthy lifestyles. Due to the pandemic maintaining healthy lifestyles became the number one priority and the department quickly pivoted its focus to our senior population. This was crucial to those seniors who felt isolated and alone. Meals on Wheels and congregate numbers immediately increased and staff transitioned some of their regular daily activities to assisting with the food delivery coordination. The outreach and food distribution to the elderly population became a priority during this time as the number of participants continued to increase. In addition to the food service additional programs were added such as "Adopt a Senior", a program to provide groceries and a pet food program to those seniors with dogs or cats.

### **Accessory Dwelling Unit (ADU) Ordinance**

The City Council approved amendments to RSMZC Section 9.04.190 – Accessory dwelling units and junior accessory dwelling units, in response to changes in State law. As a new requirement of 2020 State law, the City was required to submit the amended Ordinance to the California Department of Housing and Community Development (HCD) for their review.

### **Housing Element Update**

The City is in the process of updating the 6<sup>th</sup> Cycle Housing Element, and associated Safety Element. In January and February of this year, staff presented to the Planning Commission and City Council information about the Regional Housing Needs Assessment, and what to expect as far as outreach and work on the updates throughout 2021. The Housing Element consultant and staff conducted two surveys via Survey Monkey, held five focus groups, and established a Housing Element Update webpage on the City's website, among other continuing outreach efforts. The Public Review Draft was made available for a 30-day public review and comment period on the City's website on September 30<sup>th</sup>. The Draft Housing Element was submitted to HCD on October 21<sup>st</sup>. Public hearings and adoption of the Housing and Safety Elements are scheduled for January, 2022.

### **Inactive Permit Applications**

The City Council approved an Ordinance creating RSMZC Section 9.08.240 – Closing of Inactive Permit Applications that authorizes staff to close inactive applications and refund the unused portion of the deposit after they have been deemed incomplete, and with no response from the applicant after six months. This approval of the Inactive Permit Ordinance allows for more efficient use of City staff resources and time and to establish a reasonable deadline for applicants to provide requested information to keep applications active.

## ***MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE, CONTINUED***

### **Extension of the Temporary Outdoor Dining Program**

The City Council approved a Resolution extending the Temporary Outdoor Dining Program and to waive associated Site Development Permit application fees to allow the City's restaurants to continue to utilize their outdoor seating and dining areas that were established in response to the Pandemic. The outdoor dining program was very well received and supported by the community. The outdoor dining program allows restaurants to expand their operations to areas adjacent to their restaurants so that their customers can continue to support local restaurants.

### **Risk Management**

The City participates in the general liability program with the Public Agency Risk Sharing Authority of California (PARSAC). PARSAC has merged operations with the Redwood Empire Municipal Insurance Fund (REMIF). The new risk-sharing pool will be operational effective July 1, 2021 under a new name, the California Intergovernmental Risk Authority (CIRA).



## ATTACHMENT C

### *OTHER INFORMATION*

#### **Records Management**

The City Clerk's Office, a Division of the City Manager's Office, is responsible for the care and custody of all official records and documents for the City. This division provides for the efficient, economical, and effective controls over the creation, maintenance, disposition, and retention of all City records. Staff performs an annual inventory of existing records, including contract documents, as part of the City's records management "best practices." Continued imaging and migration of City records allows for efficient retrieval and safekeeping of important City documents, which allows for enhanced customer service to its residents and the community.

#### **Economic Stimulus Program Reporting**

As a recipient of Federal, State and County financial resources, the City is also responsible for reasonably ensuring that its internal control structure is adequate to provide compliance with applicable laws and regulations related to those programs. As part of the American Recovery and Reinvestment Act of 2009, the City has qualified for grant programs that include enhanced electronic reporting and monitoring requirements. To facilitate the operation of the various grant reporting components during the past, current and future fiscal years, the City has incorporated those elements into its current internal control structure, which is subject to ongoing monitoring and periodic evaluation by the management of the City and the City's independent auditors.

#### **Independent Audit**

The annual independent audit of the City's financial statements was conducted following the June 30<sup>th</sup> end of the fiscal year. The accounting firm of Davis Farr, LLP was contracted by the City Council to perform the annual audit. As part of the City's annual audit, detailed examinations were made of the City's financial records and reports to verify their accuracy as well as to determine that the City has complied with applicable laws and regulations. In addition, procedures were performed to determine the adequacy of the internal control structure; however, because the cost of control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. The City's financial statements have been audited by Davis Farr LLP, certified public accountants. The auditors have issued an unmodified ("clean") opinion on these financial statements. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is located at the front of the financial section of this report.

## ***OTHER INFORMATION, CONTINUED***

### **Interim Budgetary Review**

Additionally, the City maintains budgetary controls. The objective of the budgetary controls is to reasonably ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The annual budgets for both Fiscal Year 2020 and 2021 were adopted by the City Council at a public hearing, following the budget development study sessions. Activities of the General, Special Revenue, Debt Service and Capital Projects Funds are included in the annual appropriated budget. The City also maintains an encumbrance accounting system as one method of accomplishing internal budgetary control. Additionally, the City Council has requested and received interim updates of budgetary performance and variance analysis. The updates are intended to provide additional support for staff to monitor and adjust budgeted revenues and expenditures based on comparisons to current and historical activity, and to aid City Council discussions and decisions regarding the City's budget.

### **Reserves Policy**

A continuing priority of the City Council has been to exercise prudent financial management, provide long term financial planning, and strong internal control of City asset uses, by adopting a policy regarding the City's accumulated net resources called fund balance. The City Council completed an annual review of the City's Reserves Policy and adopted to assign \$9,374,355 to several categories of available fund balance. Classifications essentially reflect a government's self-imposed limitations on the use of otherwise available current financial resources. The classification categories are: Council Strategic, Technology, Facilities, Vehicles, and Infrastructure and Emergency. The City Council has not established a minimum amount to be maintained in any of the classification categories.

### **Cost Allocation Plan and User Fees and Charges Study**

It is the City's goal to have a well-documented user fee structure that is based on a legally defensible methodology for calculating and establishing the City's development processing fees and other City rates, charges, and user fees, which will incorporate all direct and indirect costs of providing the services and will be compliant with applicable law, including the Mitigation Fee Act (Government Code §66000 et seq.). In order to capture the actual costs of providing services, the City retained NBS Government Finance Group (NBS), to prepare a full-cost allocation plan and to perform a comprehensive study of all City development processing fees and other City rates, charges, and user fees for various governmental services. The updated Master Fee Schedule was approved by City Council on May 10, 2017 and became effective on July 10, 2017. The City has the ability to increase fees annually based on CPI and approved to increase fees by .965% on May 21, 2021 to be effective July 12, 2021.

## ***OTHER INFORMATION, CONTINUED***

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Santa Margarita for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the seventeenth consecutive year that the City has received this award. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA for inclusion in the award program evaluations for this fiscal year ended June 30, 2021.



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Rancho Santa Margarita  
California**

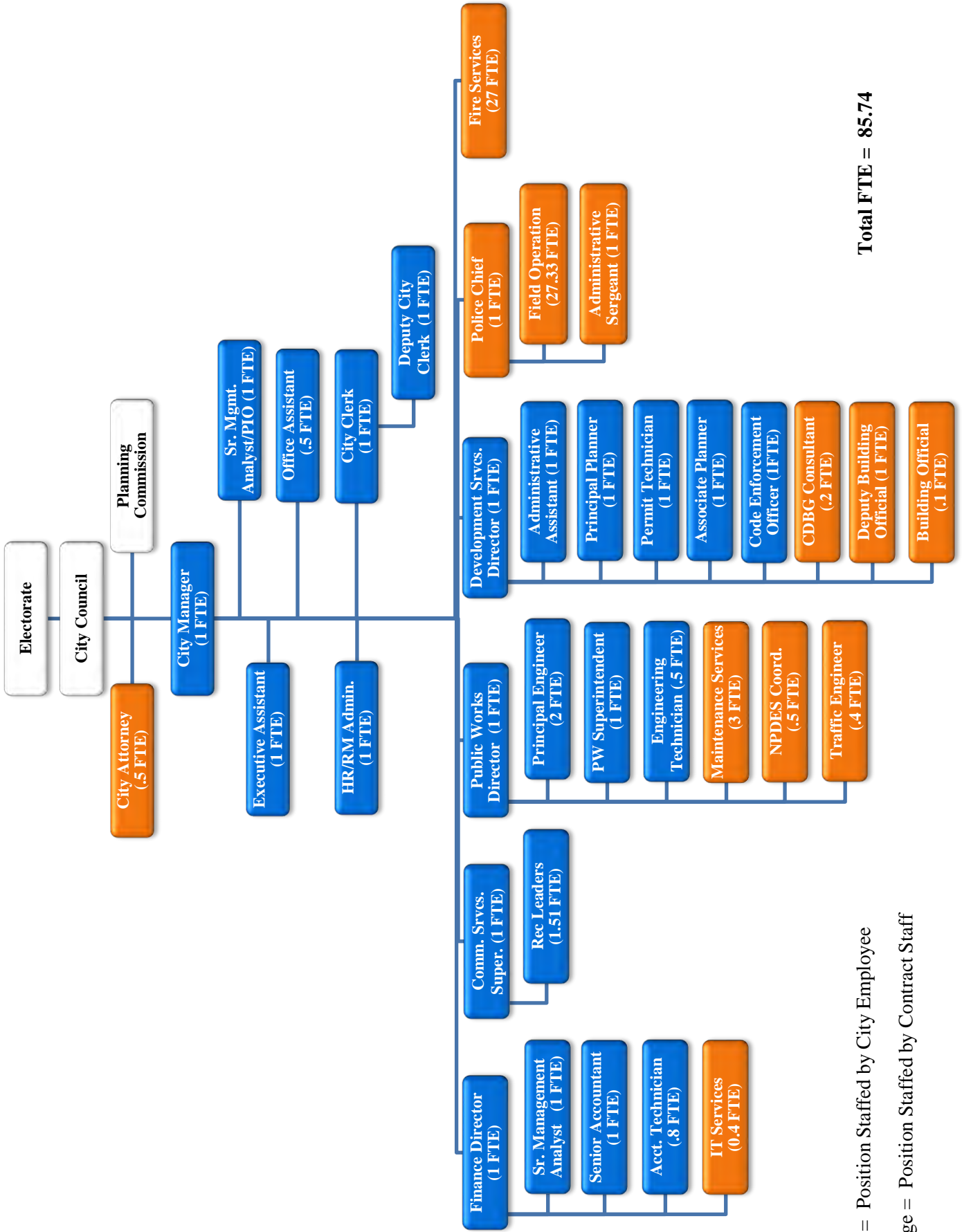
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

City of Rancho Santa Margarita  
 ORGANIZATION CHART BY CITY EMPLOYEES & CONTRACT STAFF



**Total FTE = 85.74**

Blue = Position Staffed by City Employee

Orange = Position Staffed by Contract Staff

# City of Rancho Santa Margarita

## LIST OF PRINCIPAL OFFICIALS

Council – Manager Form of Government

### CITY COUNCIL

L. ANTHONY BEALL  
Mayor

ANNE D. FIGUEROA  
Mayor Pro Tempore

CAROL A. GAMBLE  
Council Member

JERRY HOLLOWAY  
Council Member

BRADLEY J. MCGIRR  
Council Member

### CITY ADMINISTRATION

Jennifer Cervantez  
City Manager/City Treasurer

Stefanie Turner/Finance Director  
Cheryl Kuta, Planning/Community Development Director  
Greg Simonian, City Attorney  
Amy Diaz, City Clerk  
Police Chief Mihaela Kennedy, Chief of Police Services  
Wendi Redington, Community Services Supervisor  
Brendan Dugan, City Engineer/Public Works Director

# Financial Section



*Rancho Santa Margarita*  
*California*

## **Independent Auditor's Report**

City Council  
City of Rancho Santa Margarita  
Rancho Santa Margarita, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions, Schedule of Changes in the Total OPEB Liability and Related Ratios, and the General Fund Budgetary Comparison Schedule* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of the City of Rancho Santa Margarita's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rancho Santa Margarita's internal control over financial reporting and compliance.

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December 15, 2021  
Irvine, California

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# Management's Discussion & Analysis



*Rancho Santa Margarita*  
*California*

## CITY OF RANCHO SANTA MARGARITA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rancho Santa Margarita, California (City), we offer readers of the City of Rancho Santa Margarita's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements which follow this discussion.

### Financial Highlights

- The government-wide assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflow of resources, at June 30, 2021, by \$132.6 million (*net position*). Of this amount, \$21.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Legal and contractual obligations restrict \$4.3 million of net position for specific City programs. Investment in capital assets totals \$106.5 million.
- The government's total net position increased by \$4.7 million during the fiscal year ended June 30, 2021. Revenues increased by \$3.2 million. The "Other" revenue decreased by \$0.130 million due to a multi-year claim reimbursement, the sale of SCE Rule 20A credits, and the collection of sponsorship revenues in the prior year. The City generally sells Rule 20A credits every other year, and there was no sponsorship revenue in FY 20/21 due to the closure of the BTRCC. However, Sales Tax increased by \$0.99 million due to higher than anticipated sales tax revenues from the state and countywide use tax pools from online shopping. Property tax revenue, including Property Tax in lieu of VLF, and Property Transfer Tax revenue, increased \$0.41 million; fees and intergovernmental revenue was basically flat from year to year; operating grants and contributions increased \$0.29 million; however, investment revenue decreased by \$0.47 million due to a low interest rate environment. Capital grants and contributions showed a significant increase of \$2.29 million due to HBP grant revenue for the SMP Bridge Hinge Repair project, while, charges for services experienced a decrease of \$0.16 million. The net decrease from the prior year in total government expenses is \$2.22 million and is due to the closure of the BTRCC for the entire fiscal year, earned vacancy credits applied to the Orange County Sheriff's Department law enforcement contract, and fewer planned capital improvement projects. Overall fewer new capital projects were initiated in FY 20/21 due to unknown financial impacts of COVID-19 at the time the CIP budget was approved.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$27.6 million, an increase of \$3.04 million in comparison with the prior year. Approximately 15.5 percent, or \$4.3 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*),

and 84.5 percent, or \$23.4 million is available for other spending purposes at the City Council's discretion (*assigned, unassigned fund balance*).

- At June 30, 2021, the City's General Fund totaled \$23.9 million. Of the total fund balance, \$0.055 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$9.4 million and unassigned fund balance of \$14.4 million. This portion of General Fund totaled \$23.8 million, which equaled 137 percent of total General Fund expenditures including transfers out for the fiscal year ended June 30, 2021. Although available, the City Council has classified this \$23.8 million for specific purposes, including emergencies.
- The City's total long-term liabilities decreased by \$.13 million (1.1 percent) during the current fiscal year. This decrease is the net effect of the payment made for principal retirement on Lease Revenue Refunding Bonds in October 2020, and an increase to Other Post-Employment Benefits (OPEB) and pension liability.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's Basic Financial Statements. The City's Basic Financial Statements consist of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases in the 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 government's net position changed during the most recent fiscal year. All changes in net position are 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 present information about the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government, building and planning, public safety, and public works.

The Government-wide Financial Statements can be found immediately following this discussion and analysis.

## **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 fund financial statements provide detailed information about the individual funds—not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Rancho Santa Margarita uses only *governmental funds* for accounting and reporting purposes.

***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 inflows 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 various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund, the Capital Projects Fund, and Grant Funds which are considered to be major funds, and are presented in individual columns in the fund statements. Data from other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The governmental Fund Financial Statements can be found following the Government-wide Financial Statements.

## **Notes to the Basic Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found immediately following the Fund Financial Statements.

## **Other Supplementary Information**

In addition to the basic financial statements and included within the notes, this report also presents certain *required supplementary information* about the City’s General Fund budgetary comparisons. The Notes to the Required Supplementary Information presents infrastructure and budget information. The Required Supplementary Information and Notes to the Required

Supplementary Information can be found following the Notes to the Basic Financial Statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented for all non-major Special Revenue Funds. The supplementary financial information also includes budgetary comparison schedules for the non-major governmental funds and the Capital Projects major fund to demonstrate compliance with the annual budget as adopted and amended. These combining and individual fund statements and schedules can be found immediately following the Notes to the Required Supplementary Information.

The City's *blended component unit*, the Rancho Santa Margarita Public Financing Authority, although legally separate, functions at the discretion and direction of the City's management. Its financial position and results of operations, therefore, have been included as an integral part of the primary government, and are presented as a non-major fund, the Debt Service Fund, in the financial statements and schedules.

## **Government-wide Financial Analysis**

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

The largest portion of the City's net position (80 percent) reflects its net investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**City of Rancho Santa Margarita**  
**Statement of Net Position**  
As of June 30, 2021 and 2020  
(in thousands)

	<b>Governmental Activities</b>	
	<u>2021</u>	<u>2020</u>
<b>Assets:</b>		
Current and other assets	\$ 32,282	\$ 27,699
Capital assets	<u>114,441</u>	<u>113,076</u>
Total assets	<u>146,723</u>	<u>140,775</u>
 <b>Deferred Outflows of Resources:</b>	 <u>1,247</u>	 <u>1,286</u>
 <b>Liabilities:</b>		
Long-term liabilities	11,254	11,379
Other liabilities	<u>4,022</u>	<u>2,605</u>
Total liabilities	<u>15,276</u>	<u>13,984</u>
 <b>Deferred Inflows of Resources:</b>	 <u>92</u>	 <u>169</u>
 <b>Net Position:</b>		
Net investment in capital assets	106,534	104,695
Restricted	4,243	3,877
Unrestricted	<u>21,825</u>	<u>19,336</u>
Total net position	<u>\$ 132,602</u>	<u>\$ 127,908</u>

During the fiscal year ended June 30, 2021, net position of the City increased 3.67 percent to \$132.6 million, of which \$106.5 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$4.3 million is restricted for fulfillment of specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$21.8 million, an increase of 12.87 percent from the prior year total of \$19.3 million is unrestricted; and may be used to meet the City's ongoing obligations, but is subject to classes and categories of use, for specific purposes as determined by the City Council.

**City of Rancho Santa Margarita**  
**Statement of Changes in Net Position**  
For the Years Ended June 30, 2021 and 2020  
(in thousands)

	<b>Governmental</b>	
	<b>Activities</b>	
	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 1,034	\$ 1,192
Operating grants and contributions	4,289	3,997
Capital grants and contributions	2,364	74
General revenues:		
Property taxes	8,381	7,974
Sales taxes	7,714	6,729
Fees and intergovernmental	1,417	1,418
Other revenues	51	182
Investment revenue	51	516
Total revenues	<u>25,301</u>	<u>22,082</u>
<b>Expenses</b>		
General government	3,303	4,143
Building and planning	1,322	1,158
Public safety	10,198	10,080
Public works	5,529	7,175
Interest expense	255	274
Total expenses	<u>20,607</u>	<u>22,830</u>
Excess (deficit) of revenues over expenses	<u>4,694</u>	<u>(748)</u>
<b>Increase (Decrease) in net position</b>	4,694	(748)
Beginning net position	<u>127,908</u>	<u>128,656</u>
Ending net position	<u>\$ 132,602</u>	<u>\$ 127,908</u>

Overall, Citywide revenues for the fiscal year ended June 30, 2021 increased by \$3.22 million a 14.6 percent increase over the prior year. Property tax revenue increased by \$0.41 million and sales tax revenue increased by \$0.99 million due to increased online shopping as people had extra discretionary income due to government relief payments and fewer entertainment and travel options stemming from the on-going COVID-19 health crisis. Other revenue decreased by \$0.13 million due to lower claims revenue, no sponsorship revenue or sale of Rule 20A credits in the fiscal year. Investment revenue decreased by \$.47 million due to a sharp decline in the interest rates.

- Total program revenues of \$7.7 million were 30 percent of total revenues.
- Total general revenues of \$17.6 million were 70 percent of total revenues.

Total related expenses decreased by \$2.22 million, a 9.7 percent decrease from the prior year. Public Works expenses, which account for 27 percent of the total expenses, were used for street and median renovation and repair projects throughout the City, traffic signal equipment upgrades and enhancements, the start of construction on the splash pad, as well as, final construction on the Santa Margarita Parkway Bridge Hinge Repair project. There was also the final close out of the Chiquita Ridge Habitat restoration project. Public Safety expenses accounted for 49 percent of total current expenses. General Government expenses account for 16 percent of total expenses, which is a decrease from the prior year. The overall decrease in expenses reflects expenditure reductions throughout the City, especially within the Community Services department, as well as, fewer new capital improvement project expenditures due to the unknown impacts of the health crisis during the fiscal year.

## **Financial Analysis of the Government's Funds**

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

***Governmental funds.*** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements.

As of June 30, 2021, the City's governmental funds reported total combined ending fund balances of \$27.6 million, an increase of \$3.04 million from the prior year. Approximately 34 percent of the City's governmental funds ending fund balances, or \$9.4 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 51 percent of the City's governmental funds ending fund balances, or \$14 million, constitutes *unassigned fund balance*, which is available for spending at the government's direction. *Restricted fund balance* of \$4.2 million, or 15.3 percent is available to: 1) pay debt service and 2) use for specific purposes as required by special revenue funds (\$4.24 million). The remainder of fund balance, \$0.045 million, is *committed* to indicate that it is not available for new spending, because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period (\$0.015 million), 2) a reserve for self-insurance deductible liability (\$0.03 million).

### **General Fund Financial Highlights**

The general fund is the chief operating fund of the City. At June 30, 2021, assigned fund balance was \$9.4 million and unassigned fund balance of the general fund was \$14.4 million, while total fund balance was \$23.8 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 83.3 percent of the total General Fund expenditures including transfers. As mentioned above, however, the City Council has classified the assigned fund balance \$9.4 million for specified purposes.

**City of Rancho Santa Margarita**  
**Summary of Changes in Fund Balances - General Fund**  
For the Year Ended June 30, 2021 and 2020  
(in thousands)

	2021	2020
<b>Revenues</b>		
Taxes	\$ 16,094	\$ 14,703
Fees and permits	1,926	1,768
Intergovernmental	624	279
Charges for service	187	485
Investment income	44	415
Fines, forfeits and penalties	219	216
Other	52	181
Total revenues	19,146	18,047
 <b>Expenditures</b>		
General government	2,903	3,778
Building and planning	1,441	1,143
Public safety	10,017	9,189
Public works	2,094	2,199
Total expenditures	16,455	16,309
 Excess (Deficit) of revenues over expenditure	2,691	1,738
Net transfers	(167)	(995)
 <b>Increase in Fund Balance</b>	<b>\$ 2,524</b>	<b>\$ 743</b>

For the fiscal year ended June 30, 2021, the cash and investments balance in the General Fund was \$22.7 million, an increase of \$2.4 million compared to the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2021 increased by \$1.10 million, or 6.1 percent, over the prior year. Individual components of this change are summarized as follows and refer to comparisons detailed in the Summary of Changes in Net Position presented on a prior page:

- Property tax revenues of the General Fund increased by \$0.41 million due to increases in assessed valuations. The increase in property tax stems from revenue generated by the various property tax categories including, but not limited to, Secured, Unsecured, Supplemental, Property Transfer Tax, and Property Tax in lieu of VLF. Property Tax in lieu of VLF represents \$5.1 million of the \$16.1 million in overall taxes category.

- Sales tax revenues increased \$0.99 million, to \$7.71 million, due to increased spending by consumers in the areas of general consumer goods, online shopping, as well as, home improvement projects stemming from people investing in their homes during the stay-at-home orders due to the COVID-19 health crisis.
- Other revenue decreased by \$0.13 million, to \$0.051 million, mostly due to lower claim reimbursements, no sponsorship funding as there were no community events, and no sale of Rule 20A credits.
- Investment Revenue decreased by \$.372 million due to a lower interest rate environment throughout the fiscal year.

Changes in General Fund expenditures, by function, occurred as follows during the year ended June 30, 2021:

- General government expenditures decreased by 23.1 percent to \$2.9 million from the prior year expenditures. The decrease in General Government stems from citywide expenditure reductions due to unknown possible impacts of the COVID-19 health crisis. The largest reduction of expenditures was in the Community Services Department stemming from the closure of the BTRCC due to COVID-19 restrictions on gatherings.
- Public safety expenditures increased by \$.83 million to \$10.01 million. This increase is the net effect of annual increased contract costs associated with police services provided by the Orange County Sheriff's Department, which were reduced by offsetting vacancy credits applied to the contract each fiscal year. Public Safety also increased due to higher costs for crossing guard services due to staggered school schedules to accommodate COVID-19 restrictions on in class learning. A portion of these costs were offset with CARES Act funds. The City's Animal Control costs were relatively flat. Public safety expenditures were 61 percent of total General Fund expenditures.
- Public works expenditures decreased by \$0.105 million, to \$2.10 million, due to the net effect of the Public Works administration experienced lower costs in the area of solid waste management, as well as, there was an increase in staff time charged directly to various capital improvement projects in the CIP fund, mainly due to the SMP Bridge Hinge Repair project. Street Maintenance reflects a decrease in costs for both general street maintenance and traffic signal maintenance. Building maintenance was fairly flat as there was an increase in maintenance costs at the City Hall building due to the replacement of the water heater and repairs to the air conditioning system; however, there was an offsetting decrease in building maintenance costs due to the closure of the Bell Tower Regional Community Center related to the COVID-19 health crisis.
- Building and planning expenditures increased by \$0.30 million, to \$1.44 million, primarily due to an increase in CDBG and CDBG-CV expenditures. Building costs were higher due to an increase in home improvement projects throughout the year; however, these costs were offset by an increase in building permit and fee revenue.

### **General Fund Budgetary Highlights**

Differences between the General Fund expenditures/transfers out and the final amended budget were \$2.3 million and can be briefly summarized as follows:

- \$1.05 million in decreases allocated to general government activities.
- \$0.41 million in decreases allocated to building and planning activities.

- \$0.17 million in decreases allocated to public works activities
- \$0.53 million in decreases for public safety activities.
- \$0.13 million in decreases for transfers to other funds.

These overall decreases can be attributed to fewer capital projects, the closure of the BTRCC for the entire fiscal year, unspent grant funds, and conservative spending maintained throughout the fiscal year.

The original general fund budget was amended to increase general fund expenditures by \$0.596 million. This increase is from budget amendments to provide additional funding for expenditures associated with the increase in CDBG-CV funding allocation to the City due to the COVID-19 health crisis and an increase in the use of general fund reserves to be used towards the City Hall carpet replacement project.

#### **Other Major Funds Highlights: Capital Projects Fund**

The Capital Projects Fund accounts for street, bridge, traffic signal and other circulation related capital projects funded by grants, fees and interest revenue. The actual fund balance decreased \$.202 million and currently has a negative fund balance of \$.464 million. This decrease in fund balance stems from the use of fund balance towards various projects; however, the negative fund balance is the result the grant revenues received by the City outside the revenue recognition availability period.

#### **Other Major Funds Highlights: Grant Fund**

The Grant Fund accounts for expenditures and capital projects funded by either the Coronavirus Aid, Relief, and Economic Security Act Funds (CARES) and the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) which was established by the American Rescue Plan Act. The fund balance decreased by \$.358 million as the remaining CARES grant funds were expended in the current fiscal year. The fund also reflects an amount of \$2.2 million in unearned revenue which reflects the amount of SLFRF available to be used towards financial obligations that must be incurred by December 31, 2024.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The City's net capital assets for its governmental activities, as of June 30, 2021, amounts to \$114.4 million. The net capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net capital assets for the current fiscal year was 1.21 percent.

**City of Rancho Santa Margarita**  
**Summary of Changes in Capital Assets**  
(in thousands)

	<b>Balance June 30, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2021</b>
<b>Governmental Activities:</b>				
Total capital assets not being depreciated	\$ 98,392	\$ 3,493	\$ 4,331	\$ 97,554
Total capital assets being depreciated	86,181	4,346	226	90,301
Total accumulated depreciation	<u>71,497</u>	<u>2,142</u>	<u>226</u>	<u>73,413</u>
Total capital assets, being depreciated, net	<u>14,684</u>	<u>2,204</u>	-	<u>16,888</u>
Governmental activities capital assets, net	<u>\$ 113,076</u>	<u>\$ 5,697</u>	<u>\$ 4,331</u>	<u>\$ 114,442</u>

Major capital asset transactions during the current fiscal year included the following:

- Additions to construction in progress of \$.3.5 million included on-going projects for traffic signal enhancements and upgrades, median landscape renovations, as well as, the Splash project at Central Park. The additions include the completion of traffic signal enhancement and traffic calming projects, carpet installation at City Hall, as well as, the SMP Bridge Hinge Repair project.
- Infrastructure additions for the year totaled \$4.2 million related to the completion of traffic signal enhancement and traffic calming projects, as well as, the SMP Bridge Hinge Repair project.
- Machinery and Equipment disposals of \$0.226 million included the removal of fully depreciated and no longer in use police equipment, information technology equipment and software, as well as, a City vehicle. There were no additions to machinery and equipment for this fiscal year.

Additional information on the City’s capital assets can be found entitled Note 4 – Capital Assets in the Notes to the Basic Financial Statements section of this report.

The City elected to use the modified approach in reporting its pavement subsystem. Under the modified approach, infrastructure assets that are part of a network or a subsystem of a network are not required to be depreciated as long as two requirements are met. First, the government shall manage the eligible infrastructure assets using an asset management system and secondly, the government shall document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. The condition of the pavement subsystem is measured using the Rancho Santa Margarita Pavement Condition Index. The City Council has adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. The assessed PCI for 2021 was an average of 83.8, or satisfactory. This average PCI was maintained since the last update in 2020. Actual expenses for pavement condition maintenance were less than budgeted amounts due timing of projects, as well as, conservative cost estimates.

## Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$7.8 million.

**City of Rancho Santa Margarita**  
**Summary of Changes in Long-Term Liabilities**  
(in thousands)

	<b>Balance June 30, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2021</b>	<b>Long- Term</b>	<b>Due Within One Year</b>
<b>Lease Revenue</b>						
<b>Refunding Bonds</b>	8,703	-	838	7,865	\$ 7,375	490
<b>Compensated</b>						
<b>Absences</b>	313	224	185	352	193	159
<b>Long-Term Liabilities</b>						
<b>Total</b>	<u>\$ 9,016</u>	<u>\$ 224</u>	<u>\$ 1,023</u>	<u>\$ 8,217</u>	<u>\$7,568</u>	<u>\$ 649</u>

Long-term debt-related events during the fiscal year ended June 30, 2021 included:

- Compensated absences liabilities increased to \$0.35 million and usage by employees amounted for \$0.22 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2021 totaled \$0.42 million.
- Other long-term liability events during the fiscal year ended June 30, 2021 included:
  - Other post-employment benefit liabilities, (OPEB) increased by \$0.19 million.
  - The Net Pension Liability for Fiscal year 2020/21 had a net increase of \$0.14 million.

Additional information on the City's long-term debt can be found entitled Note 1 – Reporting Entity and Summary of Significant Accounting Policies and Note 5 – Long-term Liabilities in the Notes to the Basic Financial Statements section of this report.

## Economic Factors and Next Year's Budgets and Rates

The City of Rancho Santa Margarita's economy is clearly linked to the national and state economy. As the City matures, its local economy can experience departures from other local, state or national trends with resultant recurring revenue fluctuations. Additionally, because the City's revenues are obtained from a limited number of sources, further revenue fluctuations may occur from year to year. The City uses third party consultants and agencies to analyze and review economic forecasts and trends in developing its budget model. These consultants and agencies include the County of Orange, State Board of Equalization, HdL Companies, and various Universities that provide economic data and analysis. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation, can be obtained from the City's 2020-2021 citywide budget, available through the City Manager's Office.



## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, at the City of Rancho Santa Margarita, 22112 El Paseo, Rancho Santa Margarita, California, 92688.

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# Government-Wide Financial Statements



*Rancho Santa Margarita*  
*California*

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

### THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a manner that considers longer-term resource needs and capacities' effects on the City's overall operations. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its long term *financial health and physical upkeep and renewal* is improving or deteriorating, and at what pace. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, and other infrastructure, to assess the *overall health* of the City.

The Statement of Net Position and the Statement of Activities present information about governmental activities. All of the City's basic services are considered to be governmental activities, including general government, building and planning, public safety, and public works.

**CITY OF RANCHO SANTA MARGARITA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments (note 2)	\$ 29,049,039
Cash and investments with fiscal agent (note 2)	779
Receivables:	
Due from other governments	2,953,138
Accrued interest	14,248
Accounts, net	254,671
Prepaid items	9,749
Non-depreciable capital assets (note 4)	97,554,283
Capital assets, depreciated, net (note 4)	16,887,274
Total assets	146,723,181
 <b>Deferred Outflows of Resources:</b>	
Deferred amount on refunding, net of accumulated amortization	297,157
Deferred amounts on OPEB (note 7)	359,145
Deferred amounts on pension plan (note 6)	590,068
Total deferred outflows of resources	1,246,370
 <b>Liabilities:</b>	
Accounts payable	1,164,301
Wages payable	102,177
Unearned revenue	2,242,962
Retentions payable	265,395
Deposits	204,927
Interest payable	42,040
Long-term liabilities (note 5):	
Due within one year	648,772
Due in more than one year	7,909,474
Other Post-Employment Benefits (OPEB) Liability (note 7)	856,773
Net Pension Liability (note 6)	1,838,776
Total liabilities	15,275,597
 <b>Deferred Inflows of Resources:</b>	
Deferred amounts on pension plan (note 6)	16,842
Deferred amounts on OPEB (note 7)	75,303
Total deferred inflows of resources	92,145
 <b>Net position:</b>	
Net investment in capital assets	106,534,073
Restricted for:	
Public safety	240,218
Public works	4,002,522
Unrestricted	21,824,996
Total net position	\$ 132,601,809

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Program Revenues</u>				
	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>		<u>Net</u>
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>		<u>Governmental</u>
		<u>and Grants</u>	<u>and Grants</u>		<u>Activities</u>
Governmental activities:					
General government	\$ 3,302,713	\$ 3,878	\$ 1,012,965	\$ -	\$ (2,285,870)
Building and planning	1,322,446	750,545	325,924	-	(245,977)
Public safety	10,197,832	218,946	162,928	-	(9,815,958)
Public works	5,529,289	60,665	2,787,658	2,364,376	(316,590)
Interest expense	255,002	-	-	-	(255,002)
Total governmental activities	<u>\$ 20,607,282</u>	<u>\$ 1,034,034</u>	<u>\$ 4,289,475</u>	<u>\$ 2,364,376</u>	<u>\$ (12,919,397)</u>

General revenues:

Taxes:	
Property taxes	7,946,855
Sales taxes	7,713,518
Real property transfer taxes	433,781
Franchise fees	1,381,407
Investment income	50,640
Unrestricted intergovernmental revenues	35,787
Other	<u>51,579</u>
 Total general revenues	 <u>17,613,567</u>
 Change in net position	 4,694,170
 Net position at beginning of year	 <u>127,907,639</u>
 Net position at end of year	 <u>\$ 132,601,809</u>

See Accompanying Notes to the Basic Financial Statements

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# Fund Financial Statements



*Rancho Santa Margarita*  
*California*



## **GOVERNMENTAL FUNDS**

### **GENERAL FUND**

The General Fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

### **CAPITAL PROJECTS FUND**

The Capital Projects fund has been classified as a major fund and is used to account for various street projects and infrastructure improvements as well as major facility construction and improvements.

### **GRANT FUND**

This fund is used to account for both the City's Coronavirus Aid, Relief, and Economic Security Act funds (CARES) allocated to the City from both the State of California and the County of Orange, as well as, the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) which were established by the American Rescue Plan Act. The SLFRF funds have been allocated to the City from the U. S. Department of Treasury.

### **NON-MAJOR FUNDS**

All other funds are combined into this category. Additional information about the individual funds can be found in the Supplementary Schedules Section of this document.

**CITY OF RANCHO SANTA MARGARITA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021**

<b>Assets</b>	<b>General</b>	<b>Capital Projects</b>	<b>Grant Funds</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
Cash and investments	\$ 22,719,000	\$ 231,619	\$ 2,240,462	\$ 3,857,958	\$ 29,049,039
Cash and investments w/fiscal agent	-	-	-	779	779
Receivables:					
Due from other governments	1,889,836	-	-	429,400	2,319,236
Due from other governments - deferred	48,666	585,236	-	-	633,902
Accrued interest	11,570	6	-	2,672	14,248
Accounts, net	254,671	-	-	-	254,671
Prepaid items	9,749	-	-	-	9,749
Total assets	<u>\$ 24,933,492</u>	<u>\$ 816,861</u>	<u>\$ 2,240,462</u>	<u>\$ 4,290,809</u>	<u>\$ 32,281,624</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 686,833	\$ 430,178	\$ -	\$ 47,290	\$ 1,164,301
Wages payable	102,177	-	-	-	102,177
Unearned revenue	2,500	-	2,240,462	-	2,242,962
Retentions payable	-	265,395	-	-	265,395
Deposits	204,927	-	-	-	204,927
Total liabilities	<u>996,437</u>	<u>695,573</u>	<u>2,240,462</u>	<u>47,290</u>	<u>3,979,762</u>
Deferred Inflows of Resources:					
Unavailable revenue from grants	48,666	585,236	-	-	633,902
Total deferred inflows of resources	<u>48,666</u>	<u>585,236</u>	<u>-</u>	<u>-</u>	<u>633,902</u>
Fund balance:					
Nonspendable: Prepaid items	9,749	-	-	-	9,749
Restricted for debt service	-	-	-	779	779
Restricted for public safety	-	-	-	240,218	240,218
Restricted for public works	-	-	-	4,002,522	4,002,522
Committed for Habitat Restoration	15,220	-	-	-	15,220
Committed for self insurance	30,000	-	-	-	30,000
Assigned:					
Council projects/equipment/facilities	9,374,355	-	-	-	9,374,355
Unassigned	14,459,065	(463,948)	-	-	13,995,117
Total fund balance	<u>23,888,389</u>	<u>(463,948)</u>	<u>-</u>	<u>4,243,519</u>	<u>27,667,960</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 24,933,492</u>	 <u>\$ 816,861</u>	 <u>\$ 2,240,462</u>	 <u>\$ 4,290,809</u>	 <u>\$ 32,281,624</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

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

Fund balances of governmental funds		\$ 27,667,960
Capital assets net of depreciation have not been included as financial resources in governmental funds		114,441,557
Long term debt, accrued interest payable, compensated absences, and OPEB liability have not been included in the governmental funds:		
Lease Revenue Refunding Bonds Payable		(7,865,000)
Bond Premium		(340,420)
Deferred Amount on Bond Refunding, net		297,157
Accrued Interest Payable		(42,040)
Compensated Absences Payable		(352,826)
Other Post Employment Benefits (OPEB)		
Deferred outflows of resources	359,145	
Deferred Inflows of resources	(75,303)	
Other Post Employment Benefits (OPEB) Liability	(856,773)	(572,931)
Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.		
Deferred outflows of resources	590,068	
Deferred inflows of resources	(16,842)	
Pension Liability	(1,838,776)	(1,265,550)
Certain receivables will be collected after year-end, but are not available to pay for current-period expenditures, and therefore are offset by unavailable revenue in the governmental funds.		633,902
Net position of governmental activities		\$ 132,601,809

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Grant Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>Revenues:</b>					
Taxes	\$ 16,094,154	\$ -	\$ -	\$ -	\$ 16,094,154
Fees and permits	1,926,093	-	-	-	1,926,093
Intergovernmental	623,762	2,334,631	722,436	2,974,134	6,654,963
Charges for services	187,134	-	-	-	187,134
Investment income (loss)	43,702	(7,411)	821	13,528	50,640
Fines, forfeits and penalties	218,946	-	-	-	218,946
Other	51,579	-	-	-	51,579
<b>Total revenues</b>	<u>19,145,370</u>	<u>2,327,220</u>	<u>723,257</u>	<u>2,987,662</u>	<u>25,183,509</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	2,903,087	-	27,077	31,080	2,961,244
Building and planning	1,441,307	-	-	-	1,441,307
Public safety	10,016,937	-	51,155	129,740	10,197,832
Public works	2,093,998	4,212,805	171,344	328,169	6,806,316
<b>Debt Service:</b>					
Principal retirement	-	-	-	470,000	470,000
Interest	-	-	-	261,596	261,596
<b>Total expenditures</b>	<u>16,455,329</u>	<u>4,212,805</u>	<u>249,576</u>	<u>1,220,585</u>	<u>22,138,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,690,041</u>	<u>(1,885,585)</u>	<u>473,681</u>	<u>1,767,077</u>	<u>3,045,214</u>
<b>Other financing sources (uses):</b>					
Transfers in (note 3)	741,169	1,682,820	-	731,596	3,155,585
Transfers out (note 3)	(907,699)	-	(115,312)	(2,132,574)	(3,155,585)
<b>Total financing sources (uses)</b>	<u>(166,530)</u>	<u>1,682,820</u>	<u>(115,312)</u>	<u>(1,400,978)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>2,523,511</u>	<u>(202,765)</u>	<u>358,369</u>	<u>366,099</u>	<u>3,045,214</u>
Fund balances, beginning of year	<u>21,364,878</u>	<u>(261,183)</u>	<u>(358,369)</u>	<u>3,877,420</u>	<u>24,622,746</u>
Fund balances, end of year	<u>\$ 23,888,389</u>	<u>\$ (463,948)</u>	<u>\$ -</u>	<u>\$ 4,243,519</u>	<u>\$ 27,667,960</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Net change in fund balances - total governmental funds	\$ 3,045,214
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Expenditures	3,281,891
Depreciation of Capital Assets	(1,916,317)

Retirement of principal on long term debt, accrued interest payable, compensated absences, and OPEB obligation expenses reported in the Statement of Activities require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The following represent the net change for the current period:

Retired Principal on long term debt (Lease Revenue Refunding Bonds)	470,000
Amortization of deferred loss on bond refunding	(23,773)
Amortization of premium on Refunding Bonds Issued	27,234
Accrued Interest Payable on long term debt (Lease Revenue Refunding Bonds)	3,133
Compensated Absences	(38,909)
Change in OPEB Liability and related deferred outflows and inflows of resources	(85,162)

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	(187,084)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Conversely, collection of these revenues are reported in the governmental funds when received, but not in the Statement of Activities since they have been recognized previously.	117,943
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Change in net position of governmental activities	\$ 4,694,170
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# Notes to the Financial Statements



*Rancho Santa Margarita  
California*

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City of Rancho Santa Margarita (the City) was incorporated on January 1, 2000, under the General Laws of the State of California. The City operates under a Council-Manager form of government. The City provides all municipal services, including street maintenance, street sweeping, street lighting, traffic signal maintenance, animal control, engineering, public works, building and planning operations, and law enforcement.

Generally accepted accounting principles require that these financial statements represent the City of Rancho Santa Margarita and its component units, entities for which the City is considered to be financially accountable. These basic financial statements of the City of Rancho Santa Margarita include the financial activities of the City and the blended component unit of the City of Rancho Santa Margarita Public Financing Authority. Separate financial statements are not issued for the Rancho Santa Margarita Public Financing Authority.

Rancho Santa Margarita Public Financing Authority (“PFA”) was formed on October 15, 2012 as a joint powers authority (“JPA”) in order to facilitate the refunding of the Rancho Santa Margarita Nonprofit Corporation (“RSMNP”) 2003 COPs and financing the construction of various public road improvements within the City, and such other projects identified in the City’s capital improvement plan (the “2012 project”). The PFA is a blended component unit as it is a separate legal entity from the City and is governed by a five-member Board of Directors consisting of the City Council of the primary government and is financially accountable to the PFA. On December 1, 2012 the City and the PFA (“Authority”) entered into a Ground Lease agreement in which the City leased certain real property and the improvements located thereon to the Authority and the City will sublease the real property back from the Authority pursuant to a Lease Agreement. The leases are financing arrangements which transfer ownership of the assets to the City at the end of the lease term. On December 19, 2012, the PFA issued Lease Revenue Refunding Bonds in the amount of \$11,230,000 in order to refund the outstanding RSMNP 2003 Certificates of Participation balance of \$11,045,000 and fund the “2012 Project”. The 2012 bonds have the same term as the 2003 Certificates and are to be paid off in 2033. The activity of the PFA is reported in the Debt Service Fund.



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These statements include a separate column for the governmental activities of the primary government. Eliminations are required to be made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). The City required no such eliminations.

In addition, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid from restricted resources, and then from unrestricted resources.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement 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 position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has three items that qualify for reporting in this category. One item is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. The other items are deferred actuarial amounts related to pension, as well as, a deferred outflow related to employer contributions subsequent to the measurement date for pension and other post-employment benefits (OPEB). OPEB is the projected annual amount needed to pay the City's share of retiree health costs, including any implicit rate subsidy.

In addition to liabilities, the statement 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 position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting in this category are unavailable revenue and deferred actuarial amounts related to pension and OPEB.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be 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 of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government’s governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as fund balance. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City has elected an availability period of 60 days notwithstanding involuntary state imposed temporary deferrals of revenues collected and regularly scheduled to be transmitted to the City.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in lieu, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of “available spendable resources.”

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect fund balance, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

(b) Major Funds

The major funds are described as follows:

General Fund

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

Capital Projects Fund

The Capital Projects Fund has been classified as a major fund and is used to account for various street projects and infrastructure improvements as well as major facility construction and improvements.

Grant Fund

This fund is used to account for both the City’s Coronavirus Aid, Relief, and Economic Security Act funds (CARES) allocated to the City from both the State of California and the County of Orange, as well as, the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) which were established by the American Rescue Plan Act. The SLFRF funds have been allocated to the City from the U. S. Department of Treasury.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

The City’s fund structure also includes the following fund types:

The Debt Service Fund is used to account for transactions related to servicing the City’s bond indebtedness.

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

(c) Cash and Investments

Investments are reported in the accompanying Balance Sheet at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings and changes in fair value. The City pools cash and investments of all funds, except investments held by fiscal agent. Each fund’s share in this pool is displayed in the accompanying financial statements as *cash and investments*.

Investment income earned by the pooled investments is allocated to the various funds based on each fund’s average cash and investment balance.

(d) Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist.

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Generally, capital asset purchases in excess of \$3,000 (including infrastructure) are capitalized if they have an expected useful life of three years or more.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, streets, curbs, gutters, sidewalks, street lights, signs and signals, medians, and storm drains.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Capital assets used in operations and certain infrastructure assets are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Equipment	3-10 years
Buildings	30 years
Infrastructure (except pavement subsystem)	25-65 years

The City of Rancho Santa Margarita met all the criteria required to report their pavement subsystem using the modified approach, which allows those infrastructure assets to be *non-depreciable*. Hence, all expenditures made for the pavement subsystem (except for additions and improvements) are expensed in the period incurred. Additions or improvements to the pavement subsystem that increase the capacity or efficiency of those assets (rather than preserve the useful life) are capitalized. The City elected to set their minimum acceptable level of condition at 70 for all pavement based on their pavement management system scale of 1 to 100. The City assesses the condition level at a minimum of every two years.

(e) Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1, and are payable in two equal installments due November 1, and February 1, respectively, and are delinquent if not paid by December 10, and April 10, respectively. The County of Orange bills and collects the property taxes and remits them to the City in installments during the year. All material amounts associated with the reporting period are collected soon enough to be considered to be “available” to finance the expenditures of the reporting period.

The County of Orange is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than 2% each year. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

(f) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded, is employed in the governmental funds. Encumbrances at year end are reported as restricted, committed, or assigned fund balance depending on the resources that have been identified to fund the applicable encumbrance.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

(g) Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (short-term interfund loans) or “advances to/from other funds” (long-term interfund loans).

(h) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates and assumptions.

(i) Fund Equity

The City’s Reserve Policy refers to the GASB 54 assignments of fund balance and the budget resolution authorizes the use of fund balance reserves for CIP projects. Fund balances are reported in the fund statements in the following classifications:

**Nonspendable Fund Balance**

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

**Spendable Fund Balance**

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes Legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The City considers a resolution to constitute a formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has been granted to the City Manager by the City Council through resolution 13-06-26-01.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

It is the City’s policy, adopted by the City Council, that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources.

- (j) Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Other Postemployment Benefits (OPEB) - For purposes of measuring the total 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.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the above timeframes were used for pension and OPEB.

NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and investments	\$29,049,039
Cash and investments with fiscal agent	<u>779</u>
Total Cash and Investments	<u>\$29,049,818</u>

Cash and investments at June 30, 2021 consisted of the following:

Cash and Investments held by City:	
Deposits in banks or on hand	\$ 8,543,859
Local Agency Investment Fund (LAIF)	<u>20,505,180</u>
Total Cash and Investments held by City	29,049,039
Cash and Investments held by Fiscal Agent:	
Money Market Mutual Fund	<u>779</u>
Total Cash and Investments	<u>\$29,049,818</u>

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investments Authorized by the California Government Code and the City’s Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills	5 years	60%	None
U.S. Agency Notes	5 years	40%	None
Banker's Acceptances	180 days	10%	30%
Commercial Paper	180 days	10%	10%
Certificates of Deposit	5 years	10%	10%
Federal Agency Securities	5 years	20%	20%
Passbook Savings Demand Accounts	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$20,000,000
Local Government Investment Pool	N/A	None	\$20,000,000

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions or the City’s investment policy.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee, subject to certain additional restrictions in the debt agreements. The tables also identify certain provisions of these debt agreements that address maximum maturity, interest rate risk, credit risk, and disclosures relating to custodial credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Municipal Obligations	None
Commercial Paper	270 days
Money Market Mutual Funds	N/A
Investment Contracts	Life of bonds

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City currently manages its exposure to interest rate risk by participating in short term investments such as the Local Agency Investment Fund (LAIF), which invests in a combination of investments with a relatively short term weighted average maturity and offers same day liquidity.

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

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment Type	Remaining Maturity (in Months)				
	Total Amount	0-12 Months	12-23 Months	24-35 Months	Greater than 36 Months
Local Agency Investment Fund (LAIF)	\$ 20,505,180	\$ 20,505,180	\$ -	\$ -	\$ -
Held by bond fiscal agent:					
Money Market Mutual Fund	779	779	-	-	-
<b>Total</b>	<b>\$ 20,505,959</b>	<b>\$ 20,505,959</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, as reported by Standard and Poor’s, as of year-end for each investment type.

Investment Type	Total Amount	Minimum Legal Rating	Rating as of Fiscal Year End	
			AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 20,505,180	N/A	\$ -	\$ 20,505,180
Held by bond fiscal agent:				
Money Market Mutual Fund	779	AAA	779	-
<b>Total</b>	<b>\$ 20,505,959</b>		<b>\$ 779</b>	<b>\$ 20,505,180</b>

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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 *investment securities* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments securities, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool that must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a market value of at least 150% of the secured public deposits, and letters of credit drawn on the Federal Home Loan Bank may have a minimum market value of 105% of the secured public deposits. At June 30, 2021, the City deposits (bank balances) were either insured by the Federal Deposit Insurance Corporation or collateralized in accordance with the California Government Code.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The City's investment in LAIF and money market mutual funds are not subject to the fair value hierarchy.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 3 – TRANSFERS IN AND OUT

Transfers in and out for the year ended June 30, 2021 are as follows:

	<b>Transfers From:</b>			Total
	General Fund	Grant Fund	Non-major Funds	
<b>Transfers To:</b>				
General Fund	\$ -	\$ 85,567	\$ 655,602	\$ 741,169
Capital Projects	176,103	29,745	1,476,972	1,682,820
Non-major Funds	731,596	-	-	731,596
<b>Total Transfers</b>	<u><u>\$ 907,699</u></u>	<u><u>\$ 115,312</u></u>	<u><u>\$ 2,132,574</u></u>	<u><u>\$ 3,155,585</u></u>

The reasons for the significant transfers between funds are as follows:

- The Transfer of \$85,567 from the Grant Fund to the General Fund covers expenditures that qualify under the SLFRF grant that were recorded in the General Fund.
- The transfer of \$655,602 from the Non-major Funds to the General Fund was to fund street maintenance costs and traffic engineering services, which are both recorded in the General Fund.
- The transfer of \$176,103 from the General Fund to the Capital Projects Fund was to fund the closing of the habitat restoration and assessment (\$8,643), a portion of the Annual Slurry Seal Program (\$35,000), the City Hall flooring project of (\$127,758), as well as, some final costs related to various capital improvement projects of (\$4,702).
- The transfer of \$29,745 from the Grant Fund to the Capital Projects Fund was for the initial phase of the HVAC Unit upgrades at the BTRCC.
- The transfer of \$1,476,972 from the Non-major Funds to the Capital Projects Fund was primarily to fund the various slurry seal and overlay road projects (\$413,983), various street rehabilitation and improvement projects (\$32,881) and other street, sidewalk repairs and maintenance throughout the city (\$98,260). The transfer also includes traffic signal and equipment upgrades of (\$173,334). The transfer includes the City’s match of Gas Tax funds for the SMP Bridge Hinge Repair project of (\$327,786). It also includes the Splash Pad project located at Central Park (\$340,616), as well as, the median hardscape renovation, and the storm drain system study costs of (\$90,112).
- The transfer of \$731,596 from the General Fund to the Debt Service Fund was to pay principal and interest on the Lease Revenue Refunding Bond for the RSM Public Financing Authority.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 6,683,500	\$ -	\$ -	\$ 6,683,500
Land - right of way	43,570,119	-	-	43,570,119
Construction in progress	1,371,971	3,492,551	4,330,584	533,938
Infrastructure - pavement	<u>46,766,726</u>	<u>-</u>	<u>-</u>	<u>46,766,726</u>
Total capital assets not being depreciated	<u>98,392,316</u>	<u>3,492,551</u>	<u>4,330,584</u>	<u>97,554,283</u>
Capital assets being depreciated:				
Machinery & equipment	1,239,848	-	225,659	1,014,189
Buildings	18,431,392	146,438	-	18,577,830
Parks	1,170,827	-	-	1,170,827
Infrastructure - all others	<u>65,338,848</u>	<u>4,199,145</u>	<u>-</u>	<u>69,537,993</u>
Total capital assets being depreciated	<u>86,180,915</u>	<u>4,345,583</u>	<u>225,659</u>	<u>90,300,839</u>
Less accumulated depreciation:				
Machinery & equipment	1,067,903	81,747	225,659	923,991
Buildings	9,096,720	619,261	-	9,715,981
Parks	580,827	46,833	-	627,660
Infrastructure	<u>60,751,798</u>	<u>1,394,135</u>	<u>-</u>	<u>62,145,933</u>
Total accum. Depreciation:	<u>71,497,248</u>	<u>2,141,976</u>	<u>225,659</u>	<u>73,413,565</u>
Total capital assets being depreciated, net	<u>14,683,667</u>	<u>2,203,607</u>	<u>-</u>	<u>16,887,274</u>
Total capital assets, net	<u>\$113,075,983</u>	<u>\$ 5,696,158</u>	<u>\$ 4,330,584</u>	<u>\$114,441,557</u>

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

Activities:	General government	\$ 81,747
	Public works	<u>2,060,229</u>
	Total	<u>\$ 2,141,976</u>

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS, (Continued)

Significant Commitments

The City had various active, on-going and un-completed projects at June 30, 2021. At year-end, the City’s encumbrances with contractors or consultants for work performed before June 30, 2021, but not yet paid were as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Encumbered in General Fund:		
Open Space Habitat Restoration	\$ 2,854,991	\$ 15,220
Total encumbered in General Fund	<u>\$ 2,854,991</u>	<u>\$ 15,220</u>
Encumbered in Gas Tax Fund:		
Storm Drain Masterplan	\$ 89,757	\$ 41,038
Total encumbered in Gas Tax Fund	<u>\$ 89,757</u>	<u>\$ 41,038</u>
Encumbered in Local Park Trust Fund:		
Splash Pad	\$ 414,482	\$ 1,201,932
Total encumbered in Park Trust Fund	<u>\$ 414,482</u>	<u>\$ 1,201,932</u>



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Due Within One Year
Lease Revenue Refunding Bonds					
City Hall & Regional					
Community Center	\$ 8,335,000	\$ -	\$ 470,000	\$ 7,865,000	\$ 490,000
Bond premium	367,654	-	27,233	340,421	-
Compensated absences	313,917	224,013	185,104	352,826	158,772
Total Governmental Long-Term Liabilities	<u>\$ 9,016,571</u>	<u>\$ 224,013</u>	<u>\$ 682,337</u>	<u>\$ 8,558,247</u>	<u>\$ 648,772</u>

City of Rancho Santa Margarita Public Financing Authority Lease Revenue Refunding Bond 2012A Payable

On December 19, 2012, the City of Rancho Santa Margarita Pubic Financing Authority issued \$11,230,000 of Lease Revenue Refunding Bonds with interest rates ranging from 2% to 4% to refinance the 2003 Certificates of Participation issued by the Rancho Santa Margarita Nonprofit Corporation and to finance the construction of various public road improvements within the City, and such other projects identified in the City’s capital improvement plan (the “2012 project”).

The bonds are secured by base rental payments to be made by the Public Financing Authority pursuant to the lease agreement. Principal is payable annually on each November 1, commencing on November 1, 2013. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2013. The outstanding balance at June 30, 2021 is \$7,865,000.

The Lease Revenue Refunding Bonds are subject to Federal arbitrage regulations. The City has no arbitrage calculation due until December 2022.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

City of Rancho Santa Margarita Public Financing Authority Lease Revenue Refunding  
Bond 2012A Payable, (Continued)

The annual requirements to amortize the outstanding Lease Revenue Refunding Bonds, Series 2012A as of June 30, 2021, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 490,000	\$ 242,437	\$ 732,437
2023	505,000	222,537	727,537
2024	525,000	201,937	726,937
2025	545,000	180,538	725,538
2026	570,000	158,238	728,238
2027 -2031	3,130,000	533,119	3,663,119
2032-2034	2,100,000	95,700	2,195,700
Totals	<u>\$ 7,865,000</u>	<u>\$ 1,634,506</u>	<u>\$ 9,499,506</u>

Compensated Absences

Compensated absences liabilities have typically been paid from the City’s General Fund. There is no fixed payment schedule for these long term liabilities.

NOTE 6 – PENSION PLAN

A. General Information about the Pension Plans:

**Plan Descriptions**

All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS) in the PERF C risk pool. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 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’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to February 27, 2011	On or After February 27, 2011	On or After January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates	8.0% (a)	7.0%	7.25%
Required employer contribution rates:			
Normal cost rate	12.650%	9.488%	7.847% (b)
Payment of unfunded liability	\$125,634	\$9,062	\$1,658

(a) City makes the contributions required of City employees on their behalf and for their account.

(b) City did not have employees under the PEPRA plan in FY 2013/14

**Contributions**

Section 20814 (c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:**

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of the PERF C risk pool as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 1,838,776</u>

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability of the PERF C risk pool. The net pension liability of each Plan is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City’s proportionate share of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The General Fund is typically used to liquidate pension liabilities.

The City’s proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2019 and 2020 was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.04240%
Proportion - June 30, 2020	0.04359%
Change - Increase (Decrease)	0.00119%

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

Under GASB 68, 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.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

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. The amortization period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on pension plan investments follow a 5-year straight-line amortization. All other amounts follow a straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

For the year ended June 30, 2021, the City recognized pension expense of \$533,766. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 13,114
Differences between actual and expected experience	94,758	
Differences between projected and actual investment earnings	54,624	
Differences between employer's contributions and proportionate share of contributions	43,477	3,728
Change in employer's proportion	50,526	
Pension contributions made subsequent to measurement date	346,683	
Total	\$ 590,068	\$ 16,842

\$346,683 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending June 30,	Amount
2022	\$ 73,350
2023	79,364
2024	47,630
2025	26,199
2026	0
Thereafter	0

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

**Actuarial Assumptions**

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward June 30, 2019 total pension liability determined in the June 30, 2019 actuarial accounting valuation. The June 30, 2021 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.
- (3) The lesser of contract COLA up or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

For more details on this table, please refer to the December 2017 experience study report based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

**Change of Assumptions**

In 2018, demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no recent changes in assumptions.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. 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.

**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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

**Long-term Expected Rate of Return (continued)**

The table below reflects the long-term expected real rate of return by asset class.

Asset Class (a)	Current Target Allocation	Real Return Years 1 - 10 (b)	Real Returns Years 11+ (c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) In the system’s ACFR, Fixed Income is included in Global Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**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 for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 3,044,322
Current Discount Rate	7.15%
Net Pension Liability	\$ 1,838,776
1% Increase	8.15%
Net Pension Liability	\$ 842,671



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

**Plan Description**

The City provides a single-employer defined benefit plan as part of the City’s participation in an elective group medical insurance plan for current employees administered by CalPERS. The CalPERS medical insurance plan offers a comprehensive program of individual and family HMO and PPO coverage, and has typical deductible and co-pay requirements. The City’s contractual agreement with CalPERS to participate in the plan and offer health insurance benefits to employees, their partners and/or relatives stipulates that the City must pay a minimum monthly amount as a premium subsidy benefit; for all employees who retire from City service, continue medical coverage and pay additional amounts to retain coverage and meet other eligibility parameters.

**Employees Covered**

Employees are eligible to receive the minimum medical premium subsidy benefit amount provided by the plan if they: 1) Satisfy eligibility requirements for vesting of benefits required by CalPERS; 2) Retire from employment with the City; 3) Elect to continue medical insurance coverage through the CalPERS plan; and 4) Pay all additional premium amounts required for the coverage option selected by them to continue in the group medical insurance plan upon retirement from the City, but must pay all premiums required to retain coverage. To receive the City’s medical premium subsidy benefit, retirees must also be vested members of the CalPERS retirement system; i.e., retire on or after age 50 with 5 years of CalPERS retirement membership contributions. If the retiree discontinues coverage in the CalPERS health insurance plan, the City’s obligation to pay a premium subsidy benefit ends. Retirees may continue in the CalPERS plan for the remainder of their lives. The City is not obligated under the group medical insurance plan to pay premiums for any retirees or provide post-retirement medical or health insurance benefits for retirees, or their spouses, partners, or relatives; other than the required minimum benefit payment. Eligibility for the City plan consisted of the following at June 30, 2019 (actuarial valuation date):

Eligible retirees from City service	5
Active employees, both enrolled and un-enrolled in the City’s CalPERS health insurance plan	<u>22</u>
Total	<u>27</u>

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), (Continued)

**Contributions**

The City pays only the minimum required monthly premium subsidy benefit amount for retired City employees; an amount that can be amended by City Council action. The required premium is made (paid) monthly directly to CalPERS at the current-fiscal-year rate set by CalPERS, which is adjusted annually based on the medical cost component of the consumer price index. For Fiscal Year 2020/21, the City paid \$139 or \$143 per month as the full amount required by the plan for each retiree from City service, for a total contribution of \$19,993, which is made up of a cash contribution of \$11,844 and an implicit subsidy of \$8,149. The OPEB obligation has typically been paid from the City’s General Fund.

**OPEB Liability**

The City’s OPEB liability was measured as of June 30, 2020 and the total OPEB liability was calculated as the actuarial present value of projected benefit payments (APVPBP) minus the present value of future service costs. The City did not rerun prior valuations under GASB 75; therefore, in order to determine the beginning net OPEB liability (NOL), the actuary used a “roll-back” technique. The total OPEB liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.20%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	2.20%, per year net of expenses. This is based on the Bond Buyer 20 Bond Index.
Mortality Rate <sup>(1)</sup>	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover <sup>(2)</sup>	Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	Based on recent premium experience assuming 4% increase due to market trends then reduced to a rate reflecting medical price inflation

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), (Continued)

Notes:

<sup>(1)</sup> Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

<sup>(2)</sup> The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.20 percent. The interest rate used in the prior valuation was 3.50%. When benefits are projected to not be paid by plan assets, a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher must be used.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), (Continued)

**Changes in the OPEB Liability**

The changes in the OPEB liability for the City’s Plan are as follows:

	<u>Increase (Decrease)</u> Total OPEB Liability (a)
Roll back balance as June 30, 2019	<u>\$ 664,841</u>
Changes recognized for the measurement period:	
Service Cost	56,298
Interest	23,776
Changes of assumptions	139,229
Net Investment income	-
Experience (Gains) / Losses	-
Benefit payments	(27,371)
Benefit payment terms	-
Administrative expense	<u>-</u>
Net Changes during 2019-20	191,932
Balance at June 30, 2020 <i>(Measurement Date June 30, 2020)</i>	<u><u>\$ 856,773</u></u>

**Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the 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, 2020:

	<u>1% Decrease</u> <u>(1.20%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(2.20%)</u>	<u>1% Increase</u> <u>(3.20%)</u>
OPEB Liability	\$983,032	\$856,773	\$745,080

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), (Continued)

**Sensitivity of the OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the 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, 2020:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
OPEB Liability	\$749,222	\$856,773	\$997,991

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

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

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$105,155. As of fiscal year ended June 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 19,993	\$ -
Changes of Assumptions	339,152	-
Changes in Experience	-	75,303
Total	<u>\$ 359,145</u>	<u>\$ 75,303</u>

The \$19,993 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), (Continued)

Year Ending June 30,	Deferred Outflows/Inflows of Resources
2021	\$ 25,081
2022	25,081
2023	25,081
2024	25,081
2025	25,081
Thereafter	138,444

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

General and Auto Liability, Public Officials Errors and Omissions, and Employment Practices Liability

The City purchases general liability insurance from Public Agency Risk Sharing Authority of California (PARSAC). There is a self-insured retention of \$10,000 per claim. PARSAC provides limits to \$1,000,000. Excess coverage is provided through a combination of pooling and reinsurance for total excess coverage limits of \$34 million. The total annual contribution for this coverage was \$138,137 for the fiscal year ended June 30, 2021.

Workers' Compensation and Employer's Liability

There is a \$10,000 self-insured retention (SIR) per claim and the policy provides statutory limits. The annual contribution for this coverage was \$78,260 for the fiscal year ending June 30, 2021.

Property Insurance

The City purchases commercial property insurance through PARSAC with program limits of \$1 billion for personal property with a \$5,000 deductible per occurrence.

Crime Bonds

The City purchases commercial crime coverage through PARSAC with limits of \$1,000,000 and a \$2,500 deductible.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

**NOTE 8 – RISK MANAGEMENT (Continued)**

Insurance premium payments to PARSAC are made from the City’s General Fund. There were no significant claims or claims payments during the fiscal year, and there were no significant outstanding claims at June 30, 2021. Furthermore, there have been no claims settlements or judgments that have exceeded insurance coverage since the City’s inception on January 1, 2000.

**NOTE 9 – CONTINGENT LIABILITIES**

Grants, awards and allocations of revenues for restricted purposes that have been received or are receivable from other agencies are subject to audit and adjustment by those grantor agencies. Any ineligible or disallowed expenditures of those funds, including amounts already collected, may constitute a liability of the City to return applicable funds, or request an extension of time to perform in compliance of specific requirements. The amount, if any, of such disallowed funds usage claims made by other agencies cannot be determined at this time.

However, the City’s management does not expect such amounts, if any, to materially impact the City’s General Fund balance reserves.

The City of Rancho Santa Margarita is defendant and plaintiff in pending lawsuits arising out of matters incidental to the operation of the City. Although the outcome of these lawsuits cannot be determined at present, management estimates that any potential judgments against the City not covered by insurance resulting from such litigation will not materially affect the City’s financial condition.

**NOTE 10 – GENERAL FUND AND CAPITAL IMPROVEMENT FUND BALANCE CLASSIFICATIONS**

A continuing priority of the City Council is to exercise prudent financial management, provide long term financial planning, and strong internal control of City asset uses. To this end the Reserve Policy was adopted on June 25, 2008 regarding the City’s accumulated net resources, called fund balance. The Reserve Policy establishes a framework for the funding, use, and maintenance of available fund balance levels for various objectives: To protect the City’s ability to provide services to community residents during emergencies or economic downturns; provide funding for unanticipated or “one-time” expenditures, plan for the repair/replacement of City facilities, infrastructure or technology; and provide an amount for use in times of catastrophic emergencies or natural disasters.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

**NOTE 10 – GENERAL FUND AND CAPITAL IMPROVEMENT FUND BALANCE CLASSIFICATIONS (Continued)**

The City’s General fund balance classifications at June 30, 2021, are presented below and followed by explanations as to the nature and purpose of assigned and unassigned classifications.

General Fund:

Unspendable: Prepaid items	\$ 9,749
Committed for Habitat Restoration	15,220
Committed for self insurance	30,000
Assigned:	
Council Strategic	\$ 2,565,919
Technology	818,419
Facilities	4,227,366
Vehicles	303,857
Infrastructure	<u>1,458,794</u>
Total Assigned: Council projects/equipment/facilities	9,374,355
Unassigned:	
Emergency Policy	<u>14,459,065</u>
Total General Fund Balance	<u>\$ 23,888,389</u>

Assigned for Council Strategic – An amount established for special projects and services to be used at the City Council’s discretion. The Council may authorize expenditure at any time during the fiscal year, up to 75% of the funding target; however, it shall require a majority vote (3/5) of City Council to access these funds.

Assigned for Technology – To be used for replacement and enhancement of technology, and shall require a majority vote (3/5) of the City Council to access these funds. Technology is defined as computers (CPUs, servers, etc.), software, Council Chambers media, etc.

Assigned for Facilities – To be used for repair, replacement, or improvement of City facilities such as the City’s Civic Center, and other acquired facilities and mechanical systems, and shall require a majority vote (3/5) of City Council to access these funds.

Assigned for Vehicles – To be used for replacement of City vehicles and other equipment defined as rolling stock, and shall require a majority vote (3/5) of the City Council to access these funds.

Assigned for Infrastructure – To be used for repair, replacement or improvement of City property, including roads, bridges, sidewalk, and medians and shall require a majority vote (3/5) of the City Council to access these funds. The reserve amount is linked to the current City 7 year CIP plan.



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

**NOTE 10 – GENERAL FUND AND CAPITAL IMPROVEMENT FUND BALANCE CLASSIFICATIONS (Continued)**

Emergency Policy – Unassigned to be used for resumption of City services, during a natural or man-made disaster, which shall require a super majority vote (4/5) of the City Council to access these funds during non-emergencies, and majority vote (3/5) of the City Council to access these funds during emergencies. Unless earmarked for specific identifiable improvements or projects, emergency funds may not be classified as committed or assigned; and are therefore included in the unassigned classification.

The City’s Capital Improvement Project fund balance at June 30, 2021, is presented below and is followed by an explanation as to the nature of the negative unassigned fund balance:

Capital Improvement Project Fund:	
Unassigned Fund Balance	(\$463,948)

The Capital Improvement Project Fund has an unassigned negative balance of \$463,948. The negative balance is due to the reimbursement of grant funds for the expenditures of the Bridge Hinge Repair project from the Highway Bridge Program (HBP) were not received within the City’s revenue recognition availability period. The grant funds from HPB of \$585,236 have since been received by the City, and recorded in the Capital Improvement Project Fund in the fiscal year 2021/22.

**NOTE 11 – OPERATING LEASE**

The City entered into a non-cancelable operating lease agreement with Toshiba Financial Services in August 2019 for copy equipment at City Hall and BTRCC at a cost of \$26,856. The monthly cost of the 3-year lease agreement is \$746 and is funded by the General Fund. Future minimum payments relating to the lease are as follows:

<u>Year Ending June 30,</u>	<u>Annual Rent</u>
2022	\$ 8,952
2023	746
	<u>\$ 9,698</u>

**NOTE 12 – EXCESS EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations for the year ended June 30, 2021 as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Gas Tax	\$ 288,000	\$ 328,169	\$ (40,169)

# Required Supplementary Information



*Rancho Santa Margarita*  
*California*

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**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR FISCAL YEAR ENDED JUNE 30, 2021**

**CITY OF RANCHO SANTA MARGARITA  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Last Ten Fiscal Years\*

Fiscal year ended June 30	2021	2020	2019
Measurement date ended June 30	2020	2019	2018
Plan's proportion of the net pension liability	0.01690%	0.01657%	0.01619%
Plan's proportionate share of the net pension liability	\$ 1,838,776	\$ 1,697,876	\$ 1,560,147
Plan's covered payroll	\$ 2,481,988	\$ 2,269,275	\$ 2,226,095
Plan's proportionate share of the net pension liability as a percentage of covered payroll	74.08%	74.82%	70.08%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.10%	75.26%	75.26%
Plan's proportionate share of aggregate employer contributions	\$ 322,602	\$ 272,138	\$ 228,430

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The accounting discount rate reduced from 7.65 percent to 7.15 percent.

From fiscal year June 30, 2018 to June 30, 2019:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
2017	2016	2015	2014
0.01661%	0.01653%	0.01721%	0.01626%
\$ 1,646,931	\$ 1,430,589	\$ 1,180,978	\$ 1,011,781
\$ 2,284,352	\$ 2,144,126	\$ 1,784,340	\$ 1,680,986
72.10%	66.72%	66.19%	60.19%
73.31%	74.06%	78.40%	78.25%
\$ 197,179	\$ 168,530	\$ 142,383	\$ 98,432

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**CITY OF RANCHO SANTA MARGARITA  
SCHEDULE OF CONTRIBUTIONS**

Last Ten Fiscal Years\*

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$ 346,683	\$ 317,543	\$ 331,671
Contributions in relation to the actuarially determined contributions	<u>346,683</u>	<u>317,543</u>	<u>331,671</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,289,372	\$ 2,481,988	\$ 2,269,275
Contributions as a percentage of covered payroll	15.14%	12.79%	14.62%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age **
Amortization method	Level percentage of payroll, closed **
Asset valuation method	Market Value***
Inflation	2.75% **
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.00%, net of pension plan investment expense, including inflation **
Retirement age	50 years (Tier I 2.5% @55, Tier II 2% @60) and
Mortality	The mortality table used was developed based on CalPERS-specific data. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvements using 90% of scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the December 2017 experience study report.**

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

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

\*\*\* The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 year Smoothed Market method. The market value asset valuation method was used for June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectfully).

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 300,998	\$ 296,102	\$ 269,353	\$ 258,665
<u>300,998</u>	<u>296,102</u>	<u>269,353</u>	<u>258,665</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,226,095	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340
13.52%	12.96%	12.56%	14.50%
6/30/2015	6/30/2014	6/30/2013	6/30/2012

**CITY OF RANCHO SANTA MARGARITA**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30, 2021**

Measurement Date ended June 30	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 56,298	\$ 31,006	\$ 32,568	\$ 31,696
Interest on the total OPEB liability	23,776	17,189	16,531	13,886
Actual and expected experience difference	-	(89,499)	-	-
Changes in assumptions	139,229	273,859	(22,286)	-
Changes in benefit terms	-	(1,018)	-	-
Benefit payments	<u>(27,371)</u>	<u>(8,070)</u>	<u>(8,338)</u>	<u>(8,017)</u>
Net change in total OPEB liability	191,932	223,467	18,475	37,565
Total OPEB liability - beginning	<u>664,841</u>	<u>441,374</u>	<u>422,899</u>	<u>385,334</u>
Total OPEB liability - ending (a)	<u>\$ 856,773</u>	<u>\$ 664,841</u>	<u>\$ 441,374</u>	<u>\$ 422,899</u>
Covered-employee payroll	\$ 2,481,988	\$ 2,269,275	\$ 2,269,275	\$ 2,226,095
Net OPEB liability as a percentage of covered-employee payroll	34.52%	29.30%	19.45%	19.00%

Notes to Schedule:

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

The discount rate changed from 3.5% to 3.8% for the valuation done as of the June 30, 2018 measurement date.

The discount rate changed back to 3.5% from 3.8% for the valuation done as of the June 30, 2019 measurement date.

The discount rate changed from 3.5% to 2.2% for the valuation done as of the June 30, 2020 measurement date.



**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**BUDGETARY COMPARISON SCHEDULES**

**GENERAL FUND**

This fund, as the primary operational fund for the City, is classified as a major fund and is used to account for resources and uses traditionally associated with overall government operations; which are not required legally or by regulation or standards to be accounted for in another fund.

**GRANT FUND**

This fund is classified as a major fund and is used to account for both the City's Coronavirus Aid, Relief, and Economic Security Act funds (CARES) allocated to the City from both the State of California and the County of Orange, as well as, the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), which were established by the American Rescue Plan Act. The SLFRF funds have been allocated to the City from the U.S. Department of Treasury. Due to timing constraints, a SLFRF budget was not adopted; therefore, the Grant Fund budget only reflects the adopted budget for the CARES Act funds.

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Taxes	\$ 14,102,359	\$ 14,102,359	\$ 16,094,154	\$ 1,991,795
Fees and permits	1,873,728	1,873,728	1,926,093	52,365
Intergovernmental	609,795	1,061,212	623,762	(437,450)
Charges for service	299,000	299,000	187,134	(111,866)
Investment income	235,690	235,690	43,702	(191,988)
Fines, forfeits and penalties	197,000	197,000	218,946	21,946
Other	39,000	39,000	51,579	12,579
	<u>17,356,572</u>	<u>17,807,989</u>	<u>19,145,370</u>	<u>1,337,381</u>
Total revenues				
Expenditures:				
General government	3,953,907	3,953,907	2,903,087	1,050,820
Building and planning	1,404,171	1,855,588	1,441,307	414,281
Public safety	10,550,828	10,550,828	10,016,937	533,891
Public works	2,264,176	2,264,176	2,093,998	170,178
Total expenditures	<u>18,173,082</u>	<u>18,624,499</u>	<u>16,455,329</u>	<u>2,169,170</u>
Other financing sources (uses):				
Transfers in (note 3)	732,603	732,603	741,169	8,566
Transfers out (note 3)	(896,638)	(1,041,638)	(907,699)	133,939
Total financing sources (uses)	<u>(164,035)</u>	<u>(309,035)</u>	<u>(166,530)</u>	<u>142,505</u>
Net change in fund balances	(980,545)	(1,125,545)	2,523,511	3,649,056
Fund balances, beginning of year	<u>21,364,878</u>	<u>21,364,878</u>	<u>21,364,878</u>	<u>-</u>
Fund balances, end of year	<u>\$ 20,384,333</u>	<u>\$ 20,239,333</u>	<u>\$ 23,888,389</u>	<u>\$ 3,649,056</u>

See notes to the Required Supplementary Information

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**BUDGETARY COMPARISON SCHEDULE  
GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ -	\$ 346,700	\$ 722,436	\$ 375,736
Investment income	-	-	821	821
Total revenues	<u>-</u>	<u>346,700</u>	<u>723,257</u>	<u>376,557</u>
Expenditures:				
General Government	-	23,500	27,077	(3,577)
Public Safety	-	48,200	51,155	(2,955)
Public works - current	<u>-</u>	<u>275,000</u>	<u>171,344</u>	<u>103,656</u>
Total expenditures	<u>-</u>	<u>346,700</u>	<u>249,576</u>	<u>97,124</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(115,312)</u>	<u>(115,312)</u>
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>(115,312)</u>	<u>(115,312)</u>
Net change in fund balances	-	-	358,369	358,369
Fund balances, beginning of year	<u>(358,369)</u>	<u>(358,369)</u>	<u>(358,369)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (358,369)</u>	<u>\$ (358,369)</u>	<u>\$ -</u>	<u>\$ 358,369</u>

See notes to the Required Supplementary Information

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 1 – CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE**

The City has elected to use the *modified approach* for the accounting and financial reporting of infrastructure assets contained in the Streets and Roads network Street Pavement subsystem.

Under the modified approach, for financial reporting purposes, infrastructure assets that are part of a network or a subsystem of a network are not required to be depreciated as long as two requirements are met. The first requirement is to manage the eligible infrastructure assets using an asset management system that has the following characteristics:

- An up-to-date inventory of eligible infrastructure assets
- Condition assessments of the eligible infrastructure assets performed at least every three years, with summarized results using a measurement scale
- Annual estimates of the amount necessary to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government

The second requirement is to document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. A condition assessment must be performed every three years for financial reporting purposes. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

The condition of the pavement subsystem is measured using the Rancho Santa Margarita Pavement Condition Index. In order to establish and maintain eligibility for Measure M transportation funding provided by Orange County, California, the City must adopt and fund a local Pavement Management Plan (PMP). The local PMP is required to be updated every 2 years to maintain Measure M eligibility. The City Council has previously adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. The assessed PCI for 2021 was an average of 83.8, or satisfactory. This average PCI was maintained since the last update in 2020. In accordance with the requirements for using the modified approach for this subsystem, these findings will be used until the next PCI assessment is performed for financial reporting purposes within three years of this assessment. The results of the most recent condition assessments were as follows:

**CITY OF RANCHO SANTA MARGARITA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE, (Continued)

**Assessments performed in the fiscal years ended June 30:**

	<u>Actual Assessed Condition Level</u>	<u>Minimum Condition Level</u>
<b>2021:</b> Pavement subsystem	83.8	70
<b>2020:</b> Pavement subsystem	85.4	70
<b>2019:</b> Pavement subsystem	81.3	70

The pavement subsystem was assigned a numerical value based upon the scales as identified below. Each street segment has a total possible point value of 100. Once each segment had a total score, the City determined the condition of the street by segment, subdivision and as a whole based upon the street deficiency scale identified below.

- Good (86-100) – Minor to low distress, no significant distress.
- Satisfactory (71-85) – Little distress, with the exception of utility patches in good condition, or slight hairline cracks; may be slightly weathered.
- Fair (56-70) – Slight to moderately weathered, slight distress, possible patching.
- Poor (41-55) – Severely weathered or slight to moderate levels of distress, generally limited to patches and non-load related cracking.
- Very Poor (26-40) – Moderate to severe distresses, including load-related types, such as alligator cracking.
- Serious (11-25) – Severely distressed, large quantities of distortion or alligator cracking.
- Failed (0-10) – Failure of the pavement, distress has surpassed tolerable rehabilitation limits.

Based on the pavement condition assessment update performed in FY 2021, as of June 30, 2021, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 83.8, or satisfactory.

The following compares the actual street maintenance cost to the budgeted street maintenance costs since June 30, 2003, which was the first year of implementation of the modified approach for street pavement. Appropriations totaling \$2,751,506 have been budgeted for the fiscal year ending June 30, 2022, for maintenance/rehabilitation to maintain PCI standard.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

NOTE 1 – CAPITAL ASSETS – MODIFIED APPROACH FOR INFRASTRUCTURE, (Continued)

	Street Maintenance Cost	Street Maintenance Budget
June 2021	\$ 1,456,332	\$ 2,428,205
June 2020	\$ 3,195,602	\$ 3,561,634
June 2019	\$ 2,366,491	\$ 3,689,634
June 2018	\$ 2,575,757	\$ 3,080,790
June 2017	\$ 2,205,894	\$ 3,603,251

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. In June, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Budget development discussions are conducted at public workshops, and City Council study sessions and regular meetings, to obtain resident and business comments.
3. Prior to July 1, the budget is adopted by Council action at a public hearing.

Formal budgetary integration is employed as a management control device during the year. After adoption, the City Manager is authorized to transfer appropriated funds between major expenditure categories within departments and between departments. However, any revisions that alter the total appropriations of any fund must be approved by the City Council. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at the end of the fiscal year, except for capital projects. For any project which is under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current year budget.

The FY 2020/21 adopted budget does include a CARES budget, but does not include a legally adopted budget for the American Rescue Plan Act (ARPA) funds distributed to the City in May 2021. Based on the interim guidance provided by the U.S. Treasury, the City could allocate ARPA funds towards eligible expenditures retroactively back to March 3, 2021. This report reflects the use of ARPA funds towards eligible expenditures that were identified during the year-end close process which incurred between March 3, 2021 and June 30, 2021.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (CONTINUED)**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

For reporting purposes the CARES fund and ARPA fund have been combined under the title of Grant fund within the Annual Comprehensive Financial Report for FY 2020/21.

Budgets are prepared in accordance with generally accepted accounting principles using the modified-accrual basis of accounting. Accordingly, actual revenue and expenditure amounts can be compared with related budget amounts without any significant reconciling items.

Certain City financial statements and schedules present comparisons of budgeted amounts to actual results for all governmental funds with legally adopted annual budgets. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year, contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgetary comparisons in the financial statements and schedules are based on the final adjusted amounts.

For financial reporting purposes the departments of City Council, City Manager, City Attorney, City Clerk, Human Resources/Risk Management, Finance and Community Services are combined as General Government, but operate separately for internal budget monitoring within the General Fund. All other budgeted funds are considered single operating units for budgetary control and financial reporting purposes.

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# Supplementary Schedules



*Rancho Santa Margarita*  
*California*

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds and Debt Service Fund

Special Revenue Funds are used to account for activities funded by dedicated or specific program revenues. The following Special Revenue Funds have been classified as non-major funds in the accompanying financial statements:

Gas Tax – This fund is used to account for the City’s share of the motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 2105, 2106, 2107, 2107.5 and 2103 which are legally restricted for the acquisition, construction, improvement and maintenance of public streets.

Measure M – This fund is used to account for the City’s share of the sales tax increase authorized by Orange County’s Measure “M”, and renewed Measure M. The monies are legally restricted for the acquisition, construction and improvement of public streets.

Air Quality Management District – This fund is used to account for the City’s share of vehicle registration fees that the State of California has allocated to address air quality concerns in Southern California. These monies are to be used in air quality maintenance programs locally and/or regionally.

Traffic Congestion Relief Fund – This fund is used to account for revenue from Assembly Bill 2928 and the corresponding expenditures for street infrastructure.

Local Park Trust Fund – This fund accounts for funds collected for park improvements in conjunction with city-approved park implementation programs.

Supplemental Law Enforcement Services – This fund is used to account for monies received through the SLESF grant. These monies are used by police services to support front line law enforcement.

PEG Fee Fund – This fund is used to account for monies received through cable communications Public Education Governmental (PEG) capital fees and are restricted by Federal law to be used for capital purposes.

Road Maintenance & Rehabilitation Account Fund – This fund is used to account for the City’s share of RMRA revenue, which the State of California has allocated to address rehabilitation, and critical safety projects on the local streets and roads system.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, the City long-term debt principal and interest.

**CITY OF RANCHO SANTA MARGARITA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2021**

<b>Assets</b>	<b>Special Revenue Funds</b>			
	<b><u>Gas Tax</u></b>	<b><u>Measure M</u></b>	<b><u>Air Quality Management District</u></b>	<b><u>Traffic Congestion Relief Fund</u></b>
Cash and investments	\$ 295,715	\$ 222,888	\$ 146,014	\$ 5,685
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	122,168	126,197	16,200	-
Interest receivable	513	156	80	13
Total assets	<b>\$ 418,396</b>	<b>\$ 349,241</b>	<b>\$ 162,294</b>	<b>\$ 5,698</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 30,424	\$ -	\$ -	\$ -
Total liabilities	30,424	-	-	-
Fund balances:				
Restricted for debt service	-	-	-	-
Restricted for public safety	-	-	-	-
Restricted for public works	387,972	349,241	162,294	5,698
Total fund balances	387,972	349,241	162,294	5,698
Total liabilities and fund balances	<b>\$ 418,396</b>	<b>\$ 349,241</b>	<b>\$ 162,294</b>	<b>\$ 5,698</b>

<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>	
<u>Local Park Trust Fund</u>	<u>Supplemental Law Enforcement Services</u>	<u>PEG Fee Fund</u>	<u>RMRA Fund</u>	<u>Rancho Santa Margarita PFA</u>	<u>Totals</u>
\$ 1,045,233	\$ 249,677	\$ 686,115	\$ 1,206,631	\$ -	\$ 3,857,958
-	-	-	-	779	779
-	-	-	164,835	-	429,400
764	146	383	617	-	2,672
<u>\$ 1,045,997</u>	<u>\$ 249,823</u>	<u>\$ 686,498</u>	<u>\$ 1,372,083</u>	<u>\$ 779</u>	<u>\$ 4,290,809</u>
<u>\$ -</u>	<u>\$ 9,605</u>	<u>\$ 7,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,290</u>
<u>-</u>	<u>9,605</u>	<u>7,261</u>	<u>-</u>	<u>-</u>	<u>47,290</u>
-	-	-	-	779	779
-	240,218	-	-	-	240,218
1,045,997	-	679,237	1,372,083	-	4,002,522
<u>1,045,997</u>	<u>240,218</u>	<u>679,237</u>	<u>1,372,083</u>	<u>779</u>	<u>4,243,519</u>
<u>\$ 1,045,997</u>	<u>\$ 249,823</u>	<u>\$ 686,498</u>	<u>\$ 1,372,083</u>	<u>\$ 779</u>	<u>\$ 4,290,809</u>

**CITY OF RANCHO SANTA MARGARITA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Measure M</u>	<u>Air Quality Management District</u>	<u>Traffic Congestion Relief</u>
Revenues:				
Intergovernmental	\$ 1,096,999	\$ 752,140	\$ 63,713	\$ -
Investment income (loss)	1,984	1,697	759	310
Total revenues	<u>1,098,983</u>	<u>753,837</u>	<u>64,472</u>	<u>310</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	328,169	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>328,169</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>770,814</u>	<u>753,837</u>	<u>64,472</u>	<u>310</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(1,161,372)</u>	<u>(555,530)</u>	<u>(7,177)</u>	<u>(34,000)</u>
Total financing sources (uses)	<u>(1,161,372)</u>	<u>(555,530)</u>	<u>(7,177)</u>	<u>(34,000)</u>
Net change in fund balances	(390,558)	198,307	57,295	(33,690)
Fund balances, beginning of year	<u>778,530</u>	<u>150,934</u>	<u>104,999</u>	<u>39,388</u>
Fund balances, end of year	<u>\$ 387,972</u>	<u>\$ 349,241</u>	<u>\$ 162,294</u>	<u>\$ 5,698</u>

<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>	
<u>Local Park Trust Fund</u>	<u>Supplemental Law Enforcement Services</u>	<u>PEG Fee Fund</u>	<u>RMRA Fund</u>	<u>Rancho Santa Margarita PFA</u>	<u>Totals</u>
\$ -	\$ 156,731	\$ -	\$ 904,551	\$ -	\$ 2,974,134
3,264	688	1,559	3,304	(37)	13,528
<u>3,264</u>	<u>157,419</u>	<u>1,559</u>	<u>907,855</u>	<u>(37)</u>	<u>2,987,662</u>
-	-	31,080	-	-	31,080
-	129,740	-	-	-	129,740
-	-	-	-	-	328,169
-	-	-	-	470,000	470,000
-	-	-	-	261,596	261,596
<u>-</u>	<u>129,740</u>	<u>31,080</u>	<u>-</u>	<u>731,596</u>	<u>1,220,585</u>
<u>3,264</u>	<u>27,679</u>	<u>(29,521)</u>	<u>907,855</u>	<u>(731,633)</u>	<u>1,767,077</u>
-	-	-	-	731,596	731,596
<u>(340,616)</u>	<u>-</u>	<u>-</u>	<u>(33,879)</u>	<u>-</u>	<u>(2,132,574)</u>
<u>(340,616)</u>	<u>-</u>	<u>-</u>	<u>(33,879)</u>	<u>731,596</u>	<u>(1,400,978)</u>
(337,352)	27,679	(29,521)	873,976	(37)	366,099
<u>1,383,349</u>	<u>212,539</u>	<u>708,758</u>	<u>498,107</u>	<u>816</u>	<u>3,877,420</u>
<u>\$ 1,045,997</u>	<u>\$ 240,218</u>	<u>\$ 679,237</u>	<u>\$ 1,372,083</u>	<u>\$ 779</u>	<u>\$ 4,243,519</u>

## **SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

The following Schedules of Revenues, Expenditures and Changes in Fund Balance for legally adopted budgets are presented:

### Special Revenue Funds

- Gas Tax
- Measure M
- Air Quality Management District
- Traffic Congestion Relief Fund
- Local Park Trust Fund
- Supplemental Law Enforcement Services
- PEG Fee Fund
- Road Maintenance & Rehabilitation Account Fund

### Debt Service Fund

- Debt Service

### Capital Projects Fund

- Capital Projects

**CITY OF RANCHO SANTA MARGARITA  
GAS TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Intergovernmental	\$ 1,162,796	\$ 1,162,796	\$ 1,096,999	\$ (65,797)
Investment income	4,500	4,500	1,984	(2,516)
Total revenues	<u>1,167,296</u>	<u>1,167,296</u>	<u>1,098,983</u>	<u>(68,313)</u>
Expenditures:				
Public works - current	<u>288,000</u>	<u>288,000</u>	<u>328,169</u>	<u>(40,169)</u>
Total expenditures	<u>288,000</u>	<u>288,000</u>	<u>328,169</u>	<u>(40,169)</u>
Other financing sources (uses):				
Transfers out	<u>(1,378,731)</u>	<u>(1,388,731)</u>	<u>(1,161,372)</u>	<u>227,359</u>
Total financing sources (uses)	<u>(1,378,731)</u>	<u>(1,388,731)</u>	<u>(1,161,372)</u>	<u>227,359</u>
Net change in fund balances	(499,435)	(509,435)	(390,558)	118,877
Fund balances, beginning of year	<u>778,530</u>	<u>778,530</u>	<u>778,530</u>	<u>-</u>
Fund balances, end of year	<u>\$ 279,095</u>	<u>\$ 269,095</u>	<u>\$ 387,972</u>	<u>\$ 118,877</u>



**CITY OF RANCHO SANTA MARGARITA  
 MEASURE M FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 651,315	\$ 651,315	\$ 752,140	\$ 100,825
Investment income	1,200	1,200	1,697	497
Total revenues	<u>652,515</u>	<u>652,515</u>	<u>753,837</u>	<u>101,322</u>
Other financing sources (uses):				
Transfers out	<u>(489,872)</u>	<u>(634,872)</u>	<u>(555,530)</u>	<u>79,342</u>
Total financing sources (uses)	<u>(489,872)</u>	<u>(634,872)</u>	<u>(555,530)</u>	<u>79,342</u>
Net change in fund balances	162,643	17,643	198,307	180,664
Fund balances, beginning of year	<u>150,934</u>	<u>150,934</u>	<u>150,934</u>	<u>-</u>
Fund balances, end of year	<u>\$ 313,577</u>	<u>\$ 168,577</u>	<u>\$ 349,241</u>	<u>\$ 180,664</u>

**CITY OF RANCHO SANTA MARGARITA  
AIR QUALITY MANAGEMENT DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 59,672	\$ 59,672	\$ 63,713	\$ 4,041
Investment income	328	328	759	431
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>64,472</u>	<u>4,472</u>
Other financing sources (uses):				
Transfers out	<u>(54,000)</u>	<u>(54,000)</u>	<u>(7,177)</u>	<u>46,823</u>
Total financing sources (uses)	<u>(54,000)</u>	<u>(54,000)</u>	<u>(7,177)</u>	<u>46,823</u>
Net change in fund balances	6,000	6,000	57,295	51,295
Fund balances, beginning of year	<u>104,999</u>	<u>104,999</u>	<u>104,999</u>	<u>-</u>
Fund balances, end of year	<u>\$ 110,999</u>	<u>\$ 110,999</u>	<u>\$ 162,294</u>	<u>\$ 51,295</u>

**CITY OF RANCHO SANTA MARGARITA  
TRAFFIC CONGESTION RELIEF FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 310	\$ 310
Total revenues	<u>-</u>	<u>-</u>	<u>310</u>	<u>310</u>
Other financing sources (uses):				
Transfers out	(34,000)	(34,000)	(34,000)	-
Total financing sources (uses)	<u>(34,000)</u>	<u>(34,000)</u>	<u>(34,000)</u>	<u>-</u>
Net change in fund balance	(34,000)	(34,000)	(33,690)	310
Fund balances, beginning of year	<u>39,388</u>	<u>39,388</u>	<u>39,388</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,388</u>	<u>\$ 5,388</u>	<u>\$ 5,698</u>	<u>\$ 310</u>

**CITY OF RANCHO SANTA MARGARITA  
LOCAL PARK TRUST FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 3,264	\$ 3,264
Total revenues	<u>-</u>	<u>-</u>	<u>3,264</u>	<u>3,264</u>
Other financing sources (uses):				
Transfers out	(1,200,000)	(1,339,128)	(340,616)	998,512
Total financing sources (uses)	<u>(1,200,000)</u>	<u>(1,339,128)</u>	<u>(340,616)</u>	<u>998,512</u>
Net change in fund balances	(1,200,000)	(1,339,128)	(337,352)	1,001,776
Fund balances, beginning of year	<u>1,383,349</u>	<u>1,383,349</u>	<u>1,383,349</u>	<u>-</u>
Fund balances, end of year	<u>\$ 183,349</u>	<u>\$ 44,221</u>	<u>\$ 1,045,997</u>	<u>\$ 1,001,776</u>

**CITY OF RANCHO SANTA MARGARITA  
SUPPLEMENTARY LAW ENFORCEMENT SERVICES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 99,453	\$ 99,453	\$ 156,731	\$ 57,278
Investment income	547	547	688	141
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>157,419</u>	<u>57,419</u>
Expenditures:				
Public safety - current	142,539	142,539	129,740	12,799
Total expenditures	<u>142,539</u>	<u>142,539</u>	<u>129,740</u>	<u>12,799</u>
Net change in fund balances	(42,539)	(42,539)	27,679	70,218
Fund balances, beginning of year	<u>212,539</u>	<u>212,539</u>	<u>212,539</u>	<u>-</u>
Fund balances, end of year	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 240,218</u>	<u>\$ 70,218</u>

**CITY OF RANCHO SANTA MARGARITA  
PEG FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Investment income	\$ -	\$ -	\$ 1,559	\$ 1,559
Total revenues	<u>-</u>	<u>-</u>	<u>1,559</u>	<u>1,559</u>
Expenditures:				
General government	44,211	44,211	31,080	13,131
Total expenditures	<u>44,211</u>	<u>44,211</u>	<u>31,080</u>	<u>13,131</u>
Net change in fund balances	(44,211)	(44,211)	(29,521)	14,690
Fund balances, beginning of year	<u>708,758</u>	<u>708,758</u>	<u>708,758</u>	<u>-</u>
Fund balances, end of year	<u>\$ 664,547</u>	<u>\$ 664,547</u>	<u>\$ 679,237</u>	<u>\$ 14,690</u>

**CITY OF RANCHO SANTA MARGARITA  
ROAD MAINTENANCE AND REHABILITATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 841,458	\$ 841,458	\$ 904,551	\$ 63,093
Investment income	5,200	5,200	3,304	(1,896)
Total revenues	<u>846,658</u>	<u>846,658</u>	<u>907,855</u>	<u>61,197</u>
Other financing sources (uses):				
Transfers out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(33,879)</u>	<u>866,121</u>
Total financing sources (uses)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(33,879)</u>	<u>866,121</u>
Net change in fund balances	(53,342)	(53,342)	873,976	927,318
Fund balances, beginning of year	<u>498,107</u>	<u>498,107</u>	<u>498,107</u>	<u>-</u>
Fund balances, end of year	<u>\$ 444,765</u>	<u>\$ 444,765</u>	<u>\$ 1,372,083</u>	<u>\$ 927,318</u>

**CITY OF RANCHO SANTA MARGARITA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Investment income (loss)	\$ -	\$ -	\$ (37)	\$ (37)
Total revenues	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(37)</u>
Expenditures:				
Debt Service:				
Principal retirement	470,000	470,000	470,000	-
Interest	<u>261,638</u>	<u>261,638</u>	<u>261,596</u>	<u>42</u>
Total expenditures	<u>731,638</u>	<u>731,638</u>	<u>731,596</u>	<u>42</u>
Other financing sources (uses):				
Transfers in	<u>731,638</u>	<u>731,638</u>	<u>731,596</u>	<u>(42)</u>
Total financing sources (uses)	<u>731,638</u>	<u>731,638</u>	<u>731,596</u>	<u>(42)</u>
Net change in fund balances	-	-	(37)	(37)
Fund balances, beginning of year	<u>816</u>	<u>816</u>	<u>816</u>	<u>-</u>
Fund balances, end of year	<u>\$ 816</u>	<u>\$ 816</u>	<u>\$ 779</u>	<u>\$ (37)</u>



**CITY OF RANCHO SANTA MARGARITA  
CAPITAL PROJECTS FUND - MAJOR FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 2,863,000	\$ 3,070,778	\$ 2,334,631	\$ (736,147)
Investment income (loss)	-	-	(7,411)	(7,411)
Total revenues	<u>2,863,000</u>	<u>3,070,778</u>	<u>2,327,220</u>	<u>(743,558)</u>
Expenditures:				
Public works	<u>6,352,000</u>	<u>6,998,906</u>	<u>4,212,805</u>	<u>2,786,101</u>
Total expenditures	<u>6,352,000</u>	<u>6,998,906</u>	<u>4,212,805</u>	<u>2,786,101</u>
Other financing sources (uses):				
Transfers in	<u>3,489,000</u>	<u>3,928,128</u>	<u>1,682,820</u>	<u>(2,245,308)</u>
Total financing sources (uses)	<u>3,489,000</u>	<u>3,928,128</u>	<u>1,682,820</u>	<u>(2,245,308)</u>
Net change in fund balances	-	-	(202,765)	(202,765)
Fund balances (deficit), beginning of year	<u>(261,183)</u>	<u>(261,183)</u>	<u>(261,183)</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ (261,183)</u>	<u>\$ (261,183)</u>	<u>\$ (463,948)</u>	<u>\$ (202,765)</u>

# Statistical Section



*Rancho Santa Margarita*  
*California*

## STATISTICAL SECTION

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

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

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds
- Taxable Sales by Category
- Tax Revenues by Source – Governmental Funds

Revenue Capacity Schedules – These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections

Debt Capacity Schedules – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Ratio of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Bonded Debt
- Legal Debt Margin

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

- Demographic and Economic Statistics
- Principal Employers
- Full-time and Part-time City Employees by Function

Operating Information – These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information related to the services the City provides and the activities it performs.

- Capital Asset Statistics
- Operating Indicators by Function
- Miscellaneous Statistics

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

**City of Rancho Santa Margarita  
Net Position by Component  
Last Ten Fiscal Years**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net Investment in Capital Assets	\$ 106,534,073	\$ 104,695,075	\$ 105,277,597	\$ 106,775,273
Restricted for:				
Public Safety	240,218	212,539	174,629	147,789
Public Works	4,002,522	3,664,065	3,940,779	3,729,900
Debt Service	-	-	-	114
Unrestricted	21,824,996	19,335,960	19,262,675	17,171,094
Total Governmental Activities Net Position	<u>\$ 132,601,809</u>	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>
<b>PRIMARY GOVERNMENT</b>				
Net Investment in Capital Assets	\$ 106,534,073	\$ 104,695,075	\$ 105,277,597	\$ 106,775,273
Restricted for:				
Public Safety	240,218	212,539	174,629	147,789
Public Works	4,002,522	3,664,065	3,940,779	3,729,900
Unrestricted	21,824,996	19,335,960	19,262,675	17,171,094
Total Primary Government Net Position	<u>\$ 132,601,809</u>	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>

\*Restated (\$1,900,535) to include Long Term Liability Mitigation Obligation prior balance.

\*\* Restated (\$1,002,486) due to the implementation of GASB 68 and 71 to record pension liability at the beginning of year July 1.

Source: City Finance Division, Comprehensive Annual Financial Report (2012-2021)

<b>2017</b>	<b>2016</b>	<b>2015**</b>	<b>2014</b>	<b>2013</b>	<b>2012*</b>
\$ 109,252,099	\$ 109,157,228	\$ 108,859,951	\$ 108,436,257	\$ 111,018,064	\$ 108,216,333
113,112	99,309	109,554	115,371	117,440	137,441
3,728,757	3,936,815	3,604,728	3,703,419	3,012,689	2,468,544
1,526,835	1,515,534	1,509,121	2,357,303	2,351,627	848,392
13,960,569	14,981,977	13,325,625	14,065,311	12,381,485	17,147,323
<u>\$ 128,581,372</u>	<u>\$ 129,690,863</u>	<u>\$ 127,408,979</u>	<u>\$ 128,677,661</u>	<u>\$ 128,881,305</u>	<u>\$ 128,818,033</u>
\$ 109,252,099	\$ 109,157,228	\$ 108,859,951	\$ 108,436,257	\$ 111,018,064	\$ 108,216,333
113,112	99,309	109,554	115,371	117,440	137,441
3,728,757	3,936,815	3,604,728	3,703,419	3,012,689	2,468,544
13,960,569	14,981,977	13,325,625	14,065,311	12,381,485	17,147,323
<u>\$ 128,581,372</u>	<u>\$ 129,690,863</u>	<u>\$ 127,408,979</u>	<u>\$ 128,677,661</u>	<u>\$ 128,881,305</u>	<u>\$ 128,818,033</u>

**City of Rancho Santa Margarita**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>EXPENSES</b>				
<b>Governmental Activities:</b>				
General Government	\$ 3,302,713	\$ 4,143,355	\$ 4,042,811	\$ 4,391,682
Building & Planning	1,322,446	1,158,233	1,211,945	1,136,247
Public Safety	10,197,832	10,080,372	9,776,922	9,513,766
Public Works	5,529,289	7,175,142	6,159,832	5,978,125
Capital Outlay	-	-	-	-
Principal Retirement	-	-	-	-
Interest Expense	255,002	273,645	291,511	308,581
Bond Issuance Costs	-	-	-	-
Total Governmental Activities Expenses	<u>20,607,282</u>	<u>22,830,747</u>	<u>21,483,021</u>	<u>21,328,401</u>
<b>PROGRAM REVENUES</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	3,878	246,938	426,030	476,159
Building and Planning	750,545	650,298	673,447	744,275
Public Safety	218,946	216,076	169,305	138,224
Public Works	60,665	79,086	66,913	42,663
Operating Contributions and Grants	4,289,475	3,996,755	3,128,799	3,262,849
Capital Contributions and Grants	2,364,376	74,394	162,896	12,927
Total Governmental Activities Program Revenues	<u>7,687,885</u>	<u>5,263,547</u>	<u>4,627,390</u>	<u>4,677,097</u>
<b>Total Net Revenues (Expenses)</b>	<u>\$ (12,919,397)</u>	<u>\$ (17,567,200)</u>	<u>\$ (16,855,631)</u>	<u>\$ (16,651,304)</u>
<b>GENERAL REVENUES AND OTHER</b>				
<b>CHANGES IN NET POSITION</b>				
<b>Governmental Activities:</b>				
Taxes:				
Property Taxes	\$ 7,946,855	\$ 7,683,778	\$ 7,436,398	\$ 7,110,720
Sales Taxes	7,713,518	6,729,367	7,109,635	6,658,452
Real Property Transfer Taxes	433,781	289,637	262,145	355,744
Unrestricted intergovernmental revenue	35,787	38,750	23,678	25,583
Motor Vehicle in-lieu tax, unrestricted intergovernmental	-	-	-	-
Prop 1A, unrestricted intergovernmental	-	-	-	-
Franchise fees	1,381,407	1,379,572	1,436,938	1,368,975
Investment Income	50,640	516,497	571,340	284,016
Other	51,579	181,558	847,007	126,795
Total Governmental Activities	<u>17,613,567</u>	<u>16,819,159</u>	<u>17,687,141</u>	<u>15,930,285</u>
<b>Changes in Net Position</b>	<u>\$ 4,694,170</u>	<u>\$ (748,041)</u>	<u>\$ 831,510</u>	<u>\$ (721,019)</u>

\* Suspended in FY 2015, revenue received as property tax.

Source: City Finance Division, Comprehensive Annual Financial Report (2012-2021)

	2017	2016	2015	2014	2013	2012
\$	2,700,266	\$ 3,421,649	\$ 3,698,159	\$ 3,867,419	\$ 3,888,959	\$ 3,880,315
	1,090,593	1,169,254	998,296	1,056,954	1,100,413	948,779
	9,644,961	7,572,663	8,105,354	7,756,218	7,574,596	7,564,128
	6,162,890	4,718,605	7,521,705	5,523,014	5,240,653	4,431,877
	925	-	-	-	484,024	448,843
	967,536	-	-	-	-	-
	325,176	341,109	355,077	365,344	329,313	528,210
	-	-	-	-	236,018	-
	<u>20,892,347</u>	<u>17,223,280</u>	<u>20,678,591</u>	<u>18,568,949</u>	<u>18,853,976</u>	<u>17,802,152</u>
	424,862	431,449	405,724	370,213	332,013	391,960
	660,136	786,225	556,526	603,515	805,777	535,533
	142,914	163,463	198,883	173,246	194,812	281,666
	83,792	59,890	50,079	50,058	103,438	225,528
	3,114,256	2,545,411	3,259,584	3,402,535	3,561,137	2,965,391
	-	-	-	-	-	-
	<u>4,425,960</u>	<u>3,986,438</u>	<u>4,470,796</u>	<u>4,599,567</u>	<u>4,997,177</u>	<u>4,400,078</u>
\$	<u>(16,466,387)</u>	<u>(13,236,842)</u>	<u>(16,207,795)</u>	<u>(13,969,382)</u>	<u>(13,856,799)</u>	<u>(13,402,074)</u>
\$	6,746,586	\$ 6,534,986	\$ 6,235,194	\$ 2,129,782	\$ 2,042,934	\$ 1,999,106
	6,669,064	6,809,341	6,037,535	6,022,595	5,827,740	5,348,047
	362,285	333,339	300,415	284,486	271,322	230,916
	-	-	-	-	-	-
	-	-	- *	3,773,829	3,734,052	3,807,220
	-	-	-	-	-	-
	1,380,895	1,499,296	1,516,529	1,450,159	1,419,802	1,414,887
	147,992	103,995	66,916	59,131	51,058	120,130
	50,074	237,769	1,785,010	45,216	573,704	1,241,844
	<u>15,356,896</u>	<u>15,518,726</u>	<u>15,941,599</u>	<u>13,765,198</u>	<u>13,920,612</u>	<u>14,162,150</u>
\$	<u>(1,109,491)</u>	<u>2,281,884</u>	<u>(266,196)</u>	<u>(204,184)</u>	<u>63,813</u>	<u>760,076</u>

**City of Rancho Santa Margarita  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>GENERAL FUND</b>				
Nonspendable	\$ 9,749	\$ 11,807	\$ 6,582	\$ 250
Restricted	-	-	-	-
Committed	45,220	50,004	240,059	434,499
Assigned	9,374,355	8,512,921	8,761,323	7,769,118
Unassigned	14,459,065	12,790,146	11,614,014	10,510,122
Total General Fund	<u>\$ 23,888,389</u>	<u>\$ 21,364,878</u>	<u>\$ 20,621,978</u>	<u>\$ 18,713,989</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Committed for encumbrances	\$ -	\$ -	\$ -	\$ -
Restricted for debt service	779	816	541	114
Restricted for public safety/public works	4,242,741	3,876,604	4,115,408	3,877,689
Assigned, Reported in:				
Capital Project Funds	-	-	204,157	192,816
Unassigned, Reported in:				
Capital Project Funds	(463,948)	(261,183)	-	-
CARES Fund	-	(358,369)	-	-
Total All Other Governmental Funds	<u>\$ 3,779,572</u>	<u>\$ 3,257,868</u>	<u>\$ 4,320,106</u>	<u>\$ 4,070,619</u>

Source: City Finance Division, HdL, Coren & Cone, Comprehensive Annual Financial Report (2012-2021)



<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
\$ 2,665	\$ 2,821	\$ 2,251	\$ 6,524	\$ 11,026	\$ 183,016
-	-	-	-	-	58,982
788,647	1,460,181	553,484	1,694,971	61,353	172,428
7,524,985	9,300,558	9,611,627	8,170,086	8,681,811	7,877,157
9,237,888	8,859,349	7,999,887	7,044,803	7,388,653	7,618,809
<u>\$ 17,554,185</u>	<u>\$ 19,622,909</u>	<u>\$ 18,167,249</u>	<u>\$ 16,916,384</u>	<u>\$ 16,142,843</u>	<u>\$ 15,910,392</u>
\$ -	\$ -	\$ -	\$ 520,086	\$ 318,917	\$ 188,906
1,526,835	1,515,534	1,509,121	2,357,303	2,351,627	848,392
3,841,869	4,036,124	3,714,282	3,818,790	3,130,129	2,547,003
3,621	204,377	102,905	80,923	112,043	894,372
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,372,325</u>	<u>\$ 5,756,035</u>	<u>\$ 5,326,308</u>	<u>\$ 6,777,102</u>	<u>\$ 5,912,716</u>	<u>\$ 4,478,673</u>

**City of Rancho Santa Margarita**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>				
Taxes	\$ 16,094,154	\$ 14,702,782	\$ 14,808,178	\$ 14,124,916
Fees & Permits	1,926,093	1,768,147	1,832,117	2,156,495
Intergovernmental	6,654,963	3,746,966	3,401,017	3,297,047
Charges for Services	187,134	484,508	673,648	691,596
Investment Income	50,640	516,496	571,339	284,016
Fines, forfeits and penalties	218,946	216,076	169,305	138,224
Other	51,579	181,558	847,007	126,795
Total Revenues	<u>25,183,509</u>	<u>21,616,533</u>	<u>22,302,611</u>	<u>20,819,089</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,961,244	3,799,036	3,807,473	3,965,491
Building and Planning	1,441,307	1,142,984	1,203,090	1,132,872
Public Safety	10,197,832	10,080,372	9,776,922	9,513,766
Public Works	6,806,316	6,178,342	4,545,469	4,765,369
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	470,000	455,000	514,343	1,268,655
Interest	261,596	280,138	297,838	314,838
Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>22,138,295</u>	<u>21,935,872</u>	<u>20,145,135</u>	<u>20,960,991</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>	<u>(141,902)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,155,585	4,618,477	3,467,646	4,785,289
Transfers Out	(3,155,585)	(4,618,477)	(3,467,646)	(4,785,289)
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Total Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>	<u>(141,902)</u>
Fund Balances, beginning of year	<u>24,622,746</u>	<u>24,942,085</u>	<u>22,784,608</u>	<u>22,926,510</u>
Fund Balances, end of year	<u>\$ 27,667,960</u>	<u>\$ 24,622,746</u>	<u>\$ 24,942,084</u>	<u>\$ 22,784,608</u>
<b>DEBT SERVICE AS A PERCENTAGE OF</b>				
<b>NON CAPITAL EXPENDITURES</b>	3.88%	3.52%	4.12%	7.83%

Note: Excludes infrastructure per Governmental Accounting Standards Board Statement No. 34

Source: City Finance Division, Comprehensive Annual Financial Report (2012-2021)

	2017	2016	2015	2014	2013	2012
\$	13,756,201	\$ 13,657,845	\$ 8,537,734	\$ 8,436,863	\$ 8,141,996	\$ 7,578,069
	2,557,778	2,196,437	2,043,835	2,556,767	2,396,719	2,072,595
	2,255,652	2,421,752	6,979,269	6,965,839	6,215,077	6,614,126
	747,230	747,093	652,998	666,155	805,971	657,598
	147,992	103,995	66,916	59,131	51,058	120,130
	142,914	163,463	198,883	173,246	194,812	277,866
	50,074	237,769	1,785,010	45,216	1,243,584	571,964
	19,657,841	19,528,354	20,264,645	18,903,217	19,049,217	17,892,348
	3,725,068	3,522,990	3,693,121	3,820,255	3,857,850	3,856,873
	1,078,723	1,150,918	993,466	1,048,181	1,096,348	954,291
	9,644,961	7,565,851	8,104,085	7,755,684	7,573,874	7,560,345
	5,825,294	4,508,164	5,060,120	3,627,789	3,435,804	2,642,796
	132,355	162,907	1,883,395	213,143	725,596	887,336
	1,372,536	385,000	370,000	430,000	315,000	305,000
	331,338	347,137	360,387	370,238	399,910	531,260
	-	-	-	-	236,018	-
	22,110,275	17,642,967	20,464,574	17,265,290	17,640,400	16,737,901
	(2,452,434)	1,885,387	(199,929)	1,637,927	1,408,817	1,154,447
	4,509,192	3,306,078	4,946,538	2,852,635	3,981,812	2,630,493
	(4,509,192)	(3,306,078)	(4,946,538)	(2,852,635)	(3,981,812)	(2,630,493)
	-	-	-	-	11,230,000	-
	-	-	-	-	571,905	-
	-	-	-	-	(11,544,227)	-
	-	-	-	-	257,678	-
	(2,452,434)	1,885,387	(199,929)	1,637,927	1,666,494	1,154,447
	25,378,944	23,493,557	23,693,486	22,055,559	20,389,065	19,234,618
\$	22,926,510	\$ 25,378,944	\$ 23,493,557	\$ 23,693,486	\$ 22,055,559	\$ 20,389,065
	8.43%	4.68%	4.21%	4.73%	5.79%	5.43%

**City of Rancho Santa Margarita  
Taxable Sales by Category  
Last Ten Fiscal Years  
(In Thousands)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Apparel Stores	*	\$ 7,172	\$ 9,299	\$ 9,406
General Merchandise	*	45,700	52,333	55,233
Food Stores	*	37,770	33,070	32,783
Eating & Drinking Places:	*	80,222	89,901	87,592
Building Materials	*	56,250	52,342	51,234
Auto Dealers & Supplies	*	160,996	168,055	172,048
Service Stations	*	44,575	56,532	53,476
Other Retail Stores	*	48,950	56,540	64,805
All Other Outlets	*	212,399	181,524	175,297
<b>Total</b>	*	<u>\$ 694,034</u>	<u>\$ 699,596</u>	<u>\$ 701,874</u>
<b>City Direct Sales Tax Rate</b>	7.75%	7.75%	7.75%	7.75%

\*Data for fiscal year 2020-2021 not available at this time.

Note: Data for fiscal years were estimated by dividing the respective calendar year by two and adding half of each year together.

Source: California State Board of Equalization, HdL Companies

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 9,559	\$ 9,789	\$ 9,995	\$ 9,956	\$ 10,214	\$ 9,956
55,115	56,266	56,123	56,412	58,021	58,241
32,031	30,292	29,617	28,610	27,339	24,858
84,814	80,401	76,447	72,917	70,242	65,841
52,316	48,525	45,725	44,599	41,166	38,587
166,057	147,347	140,507	131,433	130,666	123,005
46,999	43,453	50,918	59,997	61,242	66,902
66,487	71,033	74,800	69,736	69,733	70,487
156,902	173,667	151,242	140,433	130,267	121,080
<u>\$ 670,280</u>	<u>\$ 660,773</u>	<u>\$ 635,374</u>	<u>\$ 614,093</u>	<u>\$ 598,890</u>	<u>\$ 578,957</u>
7.75%	8.0%	8.0%	8.0%	8.0%	7.5%

**City of Rancho Santa Margarita**  
**Tax Revenues by Source - Governmental Funds**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Sales and Use Tax</b>	<b>Property Tax</b>	<b>Real Property Transfer</b>	<b>Total</b>
2021	\$ 7,713,518	\$ 7,946,855	\$ 433,781	\$ 16,094,154
2020	6,729,367	7,683,778	289,637	14,702,782
2019	7,109,635	7,436,398	262,145	14,808,178
2018	6,658,452	7,110,720	355,744	14,124,916
2017	6,669,064	6,745,586	362,285	13,776,935
2016	6,809,341	6,534,986	333,339	13,677,666
2015	6,037,535	2,199,784	300,415	8,537,734
2014	6,022,595	2,129,782	284,486	8,436,863
2013	5,827,740	2,042,934	271,322	8,141,996
2012	5,348,047	1,999,106	230,916	7,578,069

Source: City Finance Division, Comprehensive Annual Financial Report (2012-2021)

**City of Rancho Santa Margarita**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Miscellaneous Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Rate</b>
2021	\$ 7,752,262,483	\$ 665,311,203	\$ 564,146,334	\$ 257,040,937	-	9,238,760,957	2.98%
2020	7,496,881,190	664,309,064	537,636,023	247,478,110	-	8,946,304,387	2.98%
2019	7,231,121,739	643,362,665	516,049,864	251,089,203	-	8,641,623,471	2.98%
2018	6,917,831,325	623,012,917	485,286,641	221,676,640	-	8,247,807,523	2.98%
2017	6,644,658,255	543,292,229	461,597,130	222,514,928	-	7,872,062,542	2.98%
2016	6,399,038,568	500,361,671	451,284,423	221,370,319	-	7,572,054,981	2.98%
2015	6,078,637,661	493,114,301	438,561,989	219,863,058	-	7,230,177,009	2.98%
2014	5,633,393,974	487,305,663	429,694,341	214,774,326	-	6,765,168,304	2.98%
2013	5,537,751,127	485,112,928	412,328,785	244,030,547	-	6,679,223,387	2.98%
2012	5,531,375,422	471,169,396	408,247,722	214,027,762	-	6,624,820,302	2.98%

(1) Note: Estimated value of taxable property not readily available in the State of California

Source: HdL Companies

**City of Rancho Santa Margarita  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
(Rate per \$100 of Taxable Value)**

<b>Agency</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>	<b>2017/18</b>
<b>Basic Levy<sup>1,5</sup></b>	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00756	0.00745	0.00786	0.00800
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350
Metropolitan Water District Annex	0.00350	0.00350	0.00350	0.00350
Saddleback Valley Unified	0.02336	0.02295	0.02392	0.02365
Santa Margarita Water District	0.09390	0.61040	0.62470	0.85900
<b>Total Direct &amp; Overlapping<sup>2</sup> Tax Rates</b>	<b>1.13182</b>	<b>1.64780</b>	<b>1.66348</b>	<b>1.89765</b>
<b>City's Share of 1% Levy Per Prop 13<sup>3</sup></b>	0.02978	0.02978	0.02978	0.02978
<b>Total Direct Rate<sup>4,6</sup></b>	0.02980	0.02976	0.02976	0.02978

**Notes:**

<sup>1</sup>In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00 % is shared by all taxing agencies in which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a % of assessed property values for the payment of any voter approved bonds.

<sup>2</sup>Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

<sup>3</sup>City's Share of 1% Levy is based on the share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

<sup>4</sup>Total Direct Rate is the weighted average of all individual direct rates applied by the City.

<sup>5</sup>Under Article IXXXA of the California Constitution, local agencies within the State of California can only levy a tax rate for general obligation bonds. In addition, Article XIII A of the California Constitution specifies that the counties within the State of California may levy a basic tax rate, distributing the proceeds to the proper agencies.

<sup>6</sup>This tax rate does not include any Mello-Roos tax or special assessments.

Source: Orange County Assessor 2011/12 - 2020/21 Tax Rate Table



<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00843	0.00845	0.00900	0.00972	0.01171	0.01101
0.00350	0.00350	0.00350	0.00350	0.00350	0.00370
0.00350	0.00350	0.00350	0.00350	0.00350	0.00370
0.02688	0.03008	0.02806	0.03207	0.03265	0.03163
0.88660	1.18070	2.05440	2.35710	4.67620	4.21220
<b>1.92891</b>	<b>2.22623</b>	<b>3.09846</b>	<b>3.40589</b>	<b>5.72756</b>	<b>5.26224</b>
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978

**City of Rancho Santa Margarita  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

<b>Taxpayer</b>	<b>2020/2021</b>			<b>2011/2012</b>		
	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>
Applied Medical Reso. Corp	\$ 248,030,998	2.68%	1	\$ 120,509,458	1.82%	1
El Prado LLC	82,346,114	0.89%	2	70,414,643	1.06%	2
BEX Portfolio Inc*	72,415,307	0.78%	3	45,397,328	0.69%	3
Plaza El Paseo Center, LLC	59,817,105	0.65%	4			
Villa La Paz Partners LP	43,668,326	0.47%	5	36,951,239	0.56%	4
Cox Communications, Inc.	39,568,355	0.43%	6	32,478,905	0.49%	6
RSM Antonio Associates	39,290,768	0.43%	7			
EQR-Skyview LP	38,356,190	0.42%	8			
CPI-GREP AA-Buena Vida Owner LLP	36,742,835	0.40%	9			
Cox Com Inc (Orange)				26,887,605	0.41%	7
FG Rancho Santa Margarita LP	31,204,922	0.34%	10	24,072,418	0.36%	10
KRC Santa Margarita				25,505,519	0.38%	8
Antonio Acquisition Company				34,530,987	0.52%	5
Crescent LP				24,359,667	0.37%	9
Totals	<u>\$ 691,440,920</u>	<u>7.49%</u>		<u>\$ 441,107,769</u>	<u>6.66%</u>	

\* Previously known as BRE Properties

\*\*Previously known as KSL Santa Margarita Properties II LP

Source: County Tax Assessor's Office and County Tax Roll, The HdL Companies

**City of Rancho Santa Margarita  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Total Tax Collections</b>	<b>Percentage of Levy</b>
2021	\$ 2,679,349	\$ 2,639,033	98.50%	\$ 14,392	\$ 2,661,338	99.33%
2020	2,589,778	2,544,699	98.26%	16,230	2,567,950	99.16%
2019	2,500,759	2,455,671	98.20%	14,077	2,483,570	99.31%
2018	2,379,744	2,339,536	98.31%	13,463	2,365,385	99.40%
2017	2,252,964	2,217,196	98.41%	15,584	2,238,684	99.37%
2016	2,180,731	2,136,300	97.96%	15,343	2,166,130	99.33%
2015	2,071,571	2,006,282	96.85%	15,250	2,057,169	99.30%
2014	1,943,941	1,894,716	97.47%	21,493	1,929,274	99.25%
2013	1,915,687	1,859,246	97.05%	31,560	1,897,089	99.03%
2012	1,898,324	1,778,174	93.67%	6,180	1,872,561	98.64%

Source: O.C. Auditor-controller, City Finance Division, Comprehensive Annual Financial Report (2012-2021)

**City of Rancho Santa Margarita  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Lease Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Total Governmental Activities</b>	<b>As % of Personal Income <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
2021	\$ -	\$ 8,205,420	-	\$ 8,205,420	0.33%	170.30
2020	-	8,702,654	-	8,702,654	0.35%	178.36
2019	-	9,184,886	-	9,184,886	0.40%	187.60
2018	-	9,642,120	-	9,642,120	0.44%	198.39
2017	-	10,089,353	-	10,089,353	0.46%	207.59
2016	-	10,521,587	-	10,521,587	0.50%	216.87
2015	-	10,934,000	-	10,934,000	0.54%	223.95
2014	-	11,331,000	-	11,331,000	0.57%	232.03
2013	-	11,788,000	-	11,788,000	0.59%	242.80
2012	-	-	11,360,000	11,360,000	0.59%	236.28

<sup>(1)</sup> Assessed value used because actual value of taxable property not readily available in the State of California.

<sup>(2)</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

Source: City Finance Division, Employment Development Department, State Department of Finance, U.S. Bureau of Census, and HdL Companies

**City of Rancho Santa Margarita  
Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Total General Obligation Bonds</b>	<b>Less Debt Service Fund <sup>(1)</sup></b>	<b>Net Bonded Debt</b>	<b>Percent of Debt to Assessed Value <sup>(2)</sup></b>	<b>Debt per Capita</b>
2021	48,183	-	-	-	0.00%	-
2020	48,793	-	-	-	0.00%	-
2019	48,960	-	-	-	0.00%	-
2018	48,602	-	-	-	0.00%	-
2017	48,602	-	-	-	0.00%	-
2016	48,516	-	-	-	0.00%	-
2015	48,823	-	-	-	0.00%	-
2014	48,834	-	-	-	0.00%	-
2013	48,550	-	-	-	0.00%	-
2012	48,079	-	-	-	0.00%	-

<sup>(1)</sup> Amounts available for repayment of general obligation bonds.

<sup>(2)</sup> Assessed value used because estimated value of taxable property not readily available in State of California.

Source: City Finance Division, Department of Finance, Bureau of Economic Analysis (U. S. Census Bureau)

**City of Rancho Santa Margarita  
Direct & Overlapping Bonded Debt  
June 30, 2021**

	<b>Rate Only Applies to</b>	<b>Gross Bonded Debt Balance</b>	<b>Percent Applicable to City</b>	<b>Net Bonded Debt</b>
<b>Direct Debt</b>				
A65.01 City of RSM Public Financing Authority		\$ 7,865,000	100.000%	\$ 7,865,000
A65.01 City Hall and Community Center		\$ 340,421	100.000%	\$ 340,421
<b>Total Direct Debt</b>				<b>8,205,421</b>
<b>Overlapping Debt</b>				
628.01 Capistrano Unified SFID#1 1999 Bond#2002C		11,630,000	1.331%	154,839
629.01 Capistrano Unified SFID#1 1999 Bond#2001B		4,383,396	1.331%	58,360
6AB.01 Saddleback Valley USD 2004 Bond#2004A		18,680,000	13.301%	2,484,561
6AW.01 Saddleback Valley USD 2004 Series B		28,845,000	13.301%	3,836,571
6CZ.01 Saddleback Valley USD 20113 REF		45,900,000	13.301%	6,104,996
6DK.01 Saddleback Valley USD GOB EL 2014, Series 2016A		8,630,000	13.301%	1,147,846
*C55.14 Metropolitan Water District		5,385,044	1.410%	75,904
C76.56 Santa Margarita Water ID#4-Bond 1978 Bond	Land	19,230,000	100.000%	19,230,000
C76.58 Santa Margarita Water ID#3-Bond 1978 Bond	Land	2,915,000	99.879%	2,911,470
C76.61 Santa Margarita Water ID#4B-Bond 1984 Bond	Land	6,550,000	0.476%	31,152
<b>Total Overlapping Debt</b>				<b>36,035,699</b>
<b>Total Direct and Overlapping Debt</b>				<b>\$ 44,241,120</b>

2020/21 Assessed Valuation: \$9,238,727,985\*\* after deducting \$0 Incremental Value.

Debt To assessed Valuation Ratios:	Direct Debt	0.09%
	Overlapping Debt	0.39%
	Total Debt	0.48%

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

\*\* This amount does not include net aircraft values totaling \$0.

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

Source: HdL Companies

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**City of Rancho Santa Margarita  
Legal Debt Margin  
Last Ten Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assessed Valuation	\$ 9,540,829,358	\$ 9,234,200,835	\$ 8,641,623,471	\$ 8,247,807,523
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 2,385,207,340	\$ 2,308,550,209	\$ 2,160,405,868	\$ 2,061,951,881
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 357,781,101	\$ 346,282,531	\$ 324,060,880	\$ 309,292,782
Total Net Debt Applicable to Limit: General Obligation Bonds	-	-	-	-
Legal Debt Margin	<u>\$ 357,781,101</u>	<u>\$ 346,282,531</u>	<u>\$ 324,060,880</u>	<u>\$ 309,292,782</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%

**Note:**

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Division, HdL Companies; Orange County Auditor-Controller



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 7,872,062,542	\$ 7,572,054,981	\$ 7,230,177,009	\$ 6,765,168,304	\$ 6,679,223,387	\$ 6,624,820,302
25%	25%	25%	25%	25%	25%
\$ 1,968,015,636	\$ 1,893,013,745	\$ 1,807,544,252	\$ 1,691,292,076	\$ 1,669,805,847	\$ 1,656,205,076
15%	15%	15%	15%	15%	15%
\$ 295,202,345	\$ 283,952,062	\$ 271,131,638	\$ 253,693,811	\$ 250,470,877	\$ 248,430,761
-	-	-	-	-	-
<u>\$ 295,202,345</u>	<u>\$ 283,952,062</u>	<u>\$ 271,131,638</u>	<u>\$ 253,693,811</u>	<u>\$ 250,470,877</u>	<u>\$ 248,430,761</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**City of Rancho Santa Margarita  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income <sup>(1)</sup> (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Income per Household</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2021	48,183	\$ 2,622,350	\$ 54,424	\$ 150,200	38.5	7,060	7.20%
2020	48,793	2,499,062	51,247	104,092	37.6	6,644	2.50%
2019	48,960	2,317,882	47,342	106,939	37	5,814	2.70%
2018	48,602	2,200,245	45,270	104,556	36.8	5,450	1.90%
2017	48,602	2,182,109	44,897	105,328	36.7	6,019	2.30%
2016	48,516	2,085,270	42,981	104,952	35.8	5,814	2.60%
2015	48,823	2,025,227	41,481	102,821	35.2	6,721	3.20%
2014	48,834	1,978,412	40,513	102,975	34.7	6,572	3.20%
2013	48,550	1,996,133	41,115	96,266	34.6	6,354	3.60%
2012	48,079	1,922,382	39,819	97,853	34.1	6,255	5.60%

(1) Estimated for 2021

Source: U.S. Bureau of Census, Employment Development Department, California Department of Finance, HdL, Saddleback Valley and Capistrano Unified School District

**City of Rancho Santa Margarita  
Principal Employers  
Current Year and Nine Years Ago**

<b>Employer</b>	<b>2021</b>		<b>2012</b>	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
Applied Medical	2,400	7.66%	1,698	10.49%
Cox Communications	*	*	783	4.84%
O'Connell Landscape	1,000	3.19%	1,033	6.38%
Saddleback Valley School District	288	0.92%	344	2.13%
Lucas & Mercier Construction	250	0.80%	300	1.85%
Control Components Inc. (CCI)	365	1.17%	268	1.66%
Target Corporation	255	0.81%	200	1.24%
Car Sound Exhaust System, Inc.	150	0.48%	207	1.28%
Capistrano Unified School District	215	0.69%	154	0.95%
PADI	180	0.57%	200	1.24%
Santa Margarita Catholic H.S.	175	0.56%	207	1.28%
Kohls	*	*	110	0.68%

Source: City Finance Division, Development Services

**City of Rancho Santa Margarita**  
**Full-Time and Part-Time City Employees by Function**  
**Last Ten Fiscal Years**

FUNCTION	Full-Time and Part-Time Employees as of June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
City Manager Full-Time	3.50	3.50	3.00	3.00	3.00	3.00	2.50	1.50	2.00	2.00
City Clerk Full-Time	2.00	2.00	2.50	2.50	2.80	2.80	2.80	3.40	2.80	2.80
Human Resources Full-Time	1.00	1.00	1.20	1.20	1.00	2.00	2.00	2.00	1.25	-
Finance Full-Time	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.58	4.80	-
Police Services Full-Time	-	-	-	-	-	1.00	1.00	1.00	1.00	1.00
Bldg./Planning Full-time	6.00	6.00	5.60	5.60	5.60	5.60	5.60	3.85	3.00	3.00
Engr./Pub. Works Full-Time	4.50	4.50	4.50	4.50	4.50	4.50	4.50	3.50	3.00	3.00
Comm. Services Full-Time	6.66	2.51	6.40	6.40	6.40	6.40	6.40	6.37	6.25	-
Admin. Services Full-Time	-	-	-	-	-	-	-	-	-	11.32
<b>Total</b>	<u>27.46</u>	<u>23.31</u>	<u>27.00</u>	<u>27.00</u>	<u>27.10</u>	<u>29.10</u>	<u>28.60</u>	<u>25.20</u>	<u>24.10</u>	<u>23.12</u>

Note: Part-Time Employees are expressed as Full-Time equivalents.

Source: City Finance Division, City Human Resources, Adopted Operating Budget and Capital Improvement Plan FY 2020-2021

**City of Rancho Santa Margarita  
Capital Asset Statistics  
Last Ten Fiscal Years**

<b>FUNCTION</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
General Government										
Civic Center Building	1	1	1	1	1	1	1	1	1	1
Police Services										
Support Vehicles	1	1	1	1	1	1	1	1	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (Miles)	99	99	99	99	99	99	99	99	99	99
Traffic Signals	159	159	159	159	159	159	159	159	159	159
Community Services										
Dog Parks	1	1	1	1	1	1	1	1	1	1
Skate Parks	1	1	1	1	1	1	1	1	1	1

Source: City Public Works Department, Police Services, Community Services

**City of Rancho Santa Margarita  
Operating Indicators by Function  
Last Ten Fiscal Years**

<b>FUNCTION</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>General Government</b>				
Financial Reports & Audits Completed	141	132	121	220
Checks/Wire Transfers	1,791	2,396	2,576	2,535
<b>Police Services</b>				
Physical Arrests	165	202	292	326
Parking Citations	1,320	1,261	1,601	1,689
Traffic Citations	1,366	1,590	1,951	188
<b>Public Works</b>				
Street Paving (miles)	8.5	11.63	11.05	26.53
Sidewalks replaced (sq. ft.)	5,235	5,050	7,513	270
Curb refurbished (linear feet)	73	33	42	21
Traffic signs replaced/installed	460	216	459	571
Pavement Condition Index (70 = min. acceptable)	83.8	85.4	83.2	82.5
<b>Building and Planning</b>				
Building Permits Issued	1,675	1,396	1,499	1,572
Building Inspections Completed	4,031	3,361	3,641	3,432
Plan Checks Performed	1,023	817	193	285
<b>Community Services</b>				
Recreational & Instructional Classes Offered	100	500	825	825
Senior Mobility Rides	325	417	782	335
Community Events Attendance	200	20,000	20,000	21,000
Community Magazine Publications	-	2	3	3

Source: City Finance Division, Public Safety Department, Public Works Department, Development Services and Community Services Division

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
109	111	106	117	62	49
1,654	1,482	1,670	1,768	1,713	1,759
327	282	329	377	766	1,035
1,722	1,502	1,365	1,042	1,516	1,120
143	136	402	1,469	1,026	1,497
8.44	8.07	9.45	23	92	8
7,225	6,358	10,832	4,809	-	1,025
300	24,953	14,953	280	13,351	15,500
353	322	337	262	291	600
78.6	81.6	81.5	81.5	78.5	79.2
1,538	1,671	1,279	1,051	1,145	1,026
3,048	3,422	2,515	2,278	2,140	2,387
337	413	328	279	263	194
825	825	825	775	773	725
300	990	989	939	1,171	665
20,000	19,000	18,000	18,000	18,000	17,500
3	3	3	3	3	3

**City of Rancho Santa Margarita  
Miscellaneous Statistics  
June 30, 2021**

Geographic Location:	The City of Rancho Santa Margarita is located 58 miles south east of Los Angeles and 450 miles south of San Francisco.
Population:	48,183
Area in square miles:	13
Form of Government:	Council-Manager
Date of Incorporation:	January 1, 2000
Number of Full Time Employees:	22
Public Safety:	
Police Department	Under contract with the Orange County Sheriff's Department
Fire Department	Under contract with the Orange County Fire Authority
Library	One branch, Orange County Public Library System
Recreation:	21 Privately owned and operated parks 1 County owned and operated park 2 Privately owned golf courses
Schools:	
Elementary Schools	11
Middle Schools	2
High Schools	1
Master Home Owners' Associations	7
Miles of Streets	99.5 miles
Number of Streetlights	159

Source: City Finance Division



*City of Rancho Santa Margarita*

*California*