

City of
Rancho Santa Margarita
California

**Annual Comprehensive
Financial Report**

**For the Year Ending
June 30, 2022**



Annual Comprehensive Financial Report

For the Year Ended June 30, 2022

Finance Division

City of Rancho Santa Margarita, California

City Council



Anne D. Figueroa
Mayor



Jerry Holloway
Mayor Pro Tempore



L. Anthony Beall
Council Member



Carol A. Gamble
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, 2022**

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Introductory Section



Rancho Santa Margarita, California



CITY OF RANCHO SANTA MARGARITA

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December 15, 2022

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 22nd 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 2022, 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, 2022 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.

Mayor <i>Anne D. Figueroa</i>	Mayor Pro Tempore <i>Jerry Holloway</i>	Council Member <i>L. Anthony Beall</i>	Council Member <i>Carol A. Gamble</i>	Council Member <i>Bradley J. McGirr</i>	City Manager <i>Jennifer M. Cervantez</i>
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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, 2022, 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 provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements. Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. 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 2022, sales, motor vehicle in-lieu, and property taxes made up approximately 77% of the City's general revenues.

This is the City's 22nd fiscal year since incorporation, and the 20th 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, 2022, the City continued on a conservative yet positive economic course as the City navigated its way through inflationary impacts on expenditures. The City Council's adopted budget for FY 2021/22 funded all services by utilizing operating revenues, as well as, the use of American Rescue Plan Act (ARPA) funds towards qualifying expenditures. At year-end, General Fund revenues, outside of transfers in, exceeded budgeted revenues by \$1,284,995. Revenues out-performed expectations due to higher sales tax revenue as inflationary pricing impacted all sectors of the economy. General fund expenditures, not including transfers out, came in under budget by \$1,448,564 compared to budgeted amounts. This savings can be attributed to controlled spending throughout the fiscal year due to inflationary factors and constant monitoring of revenue impacts as the State's COVID-19 restrictions were still in effect in the beginning of the fiscal year. A portion of the savings stems from the Bell Tower Regional Community Center (BTRCC) re-opening was delayed, as the BTRCC remained closed to the public the first half of the fiscal year. 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, as well as, allocating a portion of the ARPA funds towards public safety. The ARPA funds allows for reimbursement towards governmental services traditionally provided by a government, which includes public safety costs. Transfers in netted with transfers out were under budget by \$99,869 with an overall positive variance of \$2,633,690 between budget and actuals. The net operating surplus of \$3,461,135 includes growth in property tax and building permit fees, and higher than anticipated sales tax revenues, but is primarily due to the use of ARPA funds and expenditure savings within the City departments. The FY 2021/22 budget also assumed the use of reserve funds for planned expenditures for various capital projects. The capital projects included Traffic Signal Enhancements, and replacement of the City Hall Bell System.

Revenues for Fiscal Year 2021/22 increased over budget estimates by approximately \$1,284,995. Growth in property tax, property tax in-lieu of VLF, and property tax transfer revenue contributed \$272,562, sales tax revenues reflected an increase of \$1,442,130 compared to budget estimates. The significant increase in sales tax revenue stems partially from a comparison to a reduced estimated budget due to continued unknown impacts of the COVID-19 health crisis. Sales tax also reflects an increase due to inflationary factors, as well as, economic recovery throughout the various business categories. The City also

ECONOMIC CONDITION AND OUTLOOK CONTINUED

continued to experience strong 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 \$201,977 in building permit revenue and other revenue increased by \$14,283 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 2021/22. These funds have been reallocated into the FY 2022/23 adopted budget. Revenue for Charges for Services came in fairly flat compared to budget as revenue generally derived from the Bell Tower Regional Community Center was lower due to the delay in the ability to provide programs and events to the public. The delay decreased the overall revenues collected by approximately \$66,041. One of the hardest hit revenue categories was Investment income which came in significantly below budget due to the net effect of interest rates remained extremely low throughout the fiscal year, as well as, the LAIF Fair Market Value (FMV) calculation generated a substantial loss on investments. Although the continued restrictions due to the pandemic 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 2021/22 budget.

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 positive operating surplus using the best estimates and knowledge of the current financial climate. The FY 2021/22 budget re-instates most of the expenditures cut from the previous budget based on the re-opening plan and lifting of COVID-19 restrictions set by the State. 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 pandemic still had an impact on certain general fund revenues, sales tax again fared much better than expected and was still the City's largest revenue source at \$8,498,568, or 38%, of General Fund revenue for the fiscal year ended June 30, 2022, when compared to individual property tax revenues. Motor vehicle fees of \$55,664 and VLF in-lieu taxes at \$5,260,973 totaled together made up the City's second largest revenue source at 24% of general revenues. Property taxes and property tax transfer revenue of \$3,378,600 accounted for 15% of general revenues.

ECONOMIC CONDITION AND OUTLOOK CONTINUED

Current year sales tax revenue estimates reflect a slight decrease from the prior year actual sales tax revenue based on conservative estimates that reflect continued economic recovery but also cautious about the impacts of inflationary factors over the coming year. 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 continued with online shopping alternatives. The City continues to monitor sales tax revenues, but anticipates continued growth over the coming years.

The City's outlook for current year estimated property tax revenue of \$3.28 million, which includes property transfer tax revenues, looks promising as the assessed property values increased between 2020/21 and 2021/22. 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 the rise in interest rates and other economic variables will effect property taxes in future years. The pandemic had a significant impact on the City especially in the area of Community Services; however, the City has since then been able to fully reopen to the public. Although certain data points to positive and on-going improvement in general economic conditions, the City remains cautious as it steadily moves forward and has prepared a thorough and fiscally responsible budget for FY 2022/23.

ATTACHMENT B

MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE

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 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 second 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 and overlay programs for (\$709,874), as well as, annual concrete repair and pavement rehabilitation projects at a cost of \$102,839. Other projects include the initial phase of the Antonio Parkway Gateway improvement project (\$20,130) and median hardscape and landscape renovations of (\$313,921). 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 \$383,950. Federal Community Development Block Grant (CDBG) funds were used for ADA Improvements at a cost of \$143,184. The City also completed the installation of a new bell system at City Hall for a total of (\$25,318). The City used American Rescue Plan Act funds toward the initial upgrades to the HVAC system at the BTRCC and the sliding doors (\$2,155). There were also final costs related to various capital improvement projects of \$7,350. Local park trust funds were used toward the final construction of the Splash Pad at Central Park (\$1,214,432). The SMP Bridge Hinge Repair project was completed in the prior year and requires maintenance cost over the next five years with a cost of \$96,100 in FY 2021/22.

Community Services Programs

The City's Community Services Department continues to look for ways to connect with the people of Rancho Santa Margarita. The Bell Tower Regional Community Center is the hub of diverse, and intergenerational recreation programming that can be explored by the community's residents. The Bell Tower Regional Community Center reopened its doors with limited services and programs being offered. Staff worked hard to prepare the facility with COVID-19 safety protocols in place and eventually opened to full capacity. The City's Community Services Department places a great emphasis on local festivities; these festivities are essential to solidify the bond that the community has with our local government. Events like the Splash Pad Grand Opening and the Bike Rodeo Event were new additions to the special events calendar to go along with the ever-popular Summer Concert Series and New Year's Eve Event. The City's partnership with local businesses and organizations will continue to be the catalyst for delivering on the high expectations that the

MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE, CONTINUED

Community Services Department place upon itself. It is the Community Services Department's mission to enhance the quality of life for residents in the community.

Housing Element Update

The City completed the 6th Cycle Housing Element, and associated Safety Element update. City Council held a Sites Inventory Workshop in August, 2021. The Public Review Draft was made available for a 30-day public review and comment period on the City's website on September 30th and public hearings were held on October 6 and October 27. The Draft Housing Element was submitted to HCD on October 22, 2021. After two rounds of formal review with the State Department of Housing and Community Development (HCD), the final Housing Element was adopted by the City Council on August 24, 2022 and certified by HCD on September 13, 2022. The related Safety Element Update was completed in 2021 and approved by the California Department of Forestry and Fire Protection (CalFire) on December 9, 2021.

Housing Element Rezoning Program

The adopted Housing Element includes a program to accommodate the City's share of the Regional Housing Needs Allocation (RHNA). This program involves the rezoning of 15 sites to allow for new residential development. The City hired a consultant to assist in the preparation of the Housing Element Rezoning program and adoption of Objective Development Standards. Public outreach will begin in late 2022 and public hearings and adoption of the Rezoning Program are expected in early 2023.

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.

Internal Controls

The City is responsible for establishing and maintaining an internal control structure designed to ensure the integrity of financial and accounting information and protect the assets of the City from loss, theft, or misuse. Besides complying with laws and regulations, internal controls can help improve operational efficiency by improving the accuracy and timeliness of financial reporting. The internal control structure for the City has been designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Independent Audit

The annual independent audit of the City's financial statements was conducted following the June 30th 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

OTHER INFORMATION, CONTINUED

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.

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 2021 and 2022 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 \$10,452,879 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

OTHER INFORMATION, CONTINUED

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 7.39% on April 27, 2022 to be effective July 1, 2022.

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, 2021. 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 twenty-first 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, 2022.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Rancho Santa Margarita
California**

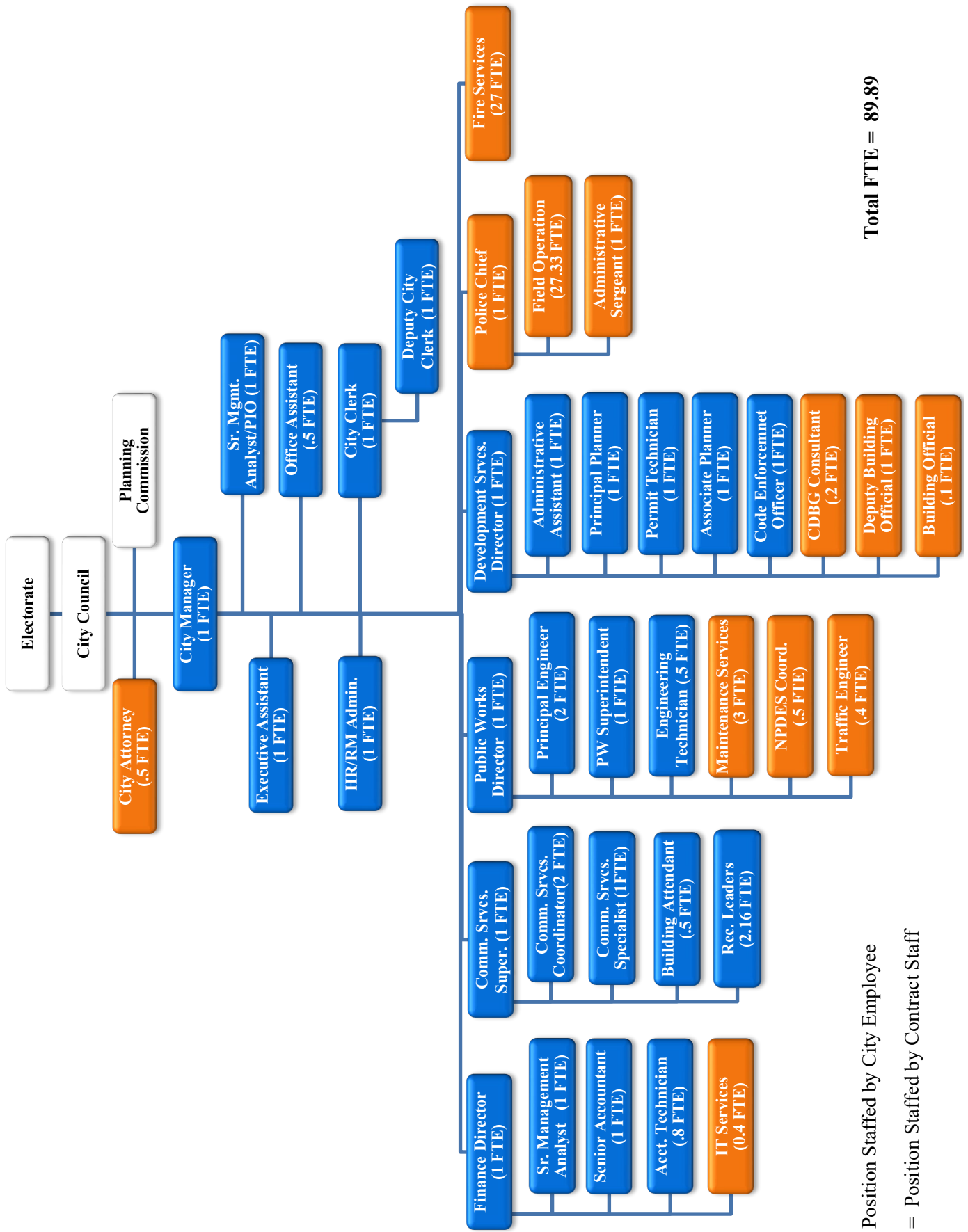
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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



Total FTE = 89.89

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

ANNE D. FIGUEROA
Mayor

JERRY HOLLOWAY
Mayor Pro Tempore

L. ANTHONY BEALL
Council Member

CAROL A. GAMBLE
Council Member

BRADLEY J. MCGIRR
Council Member

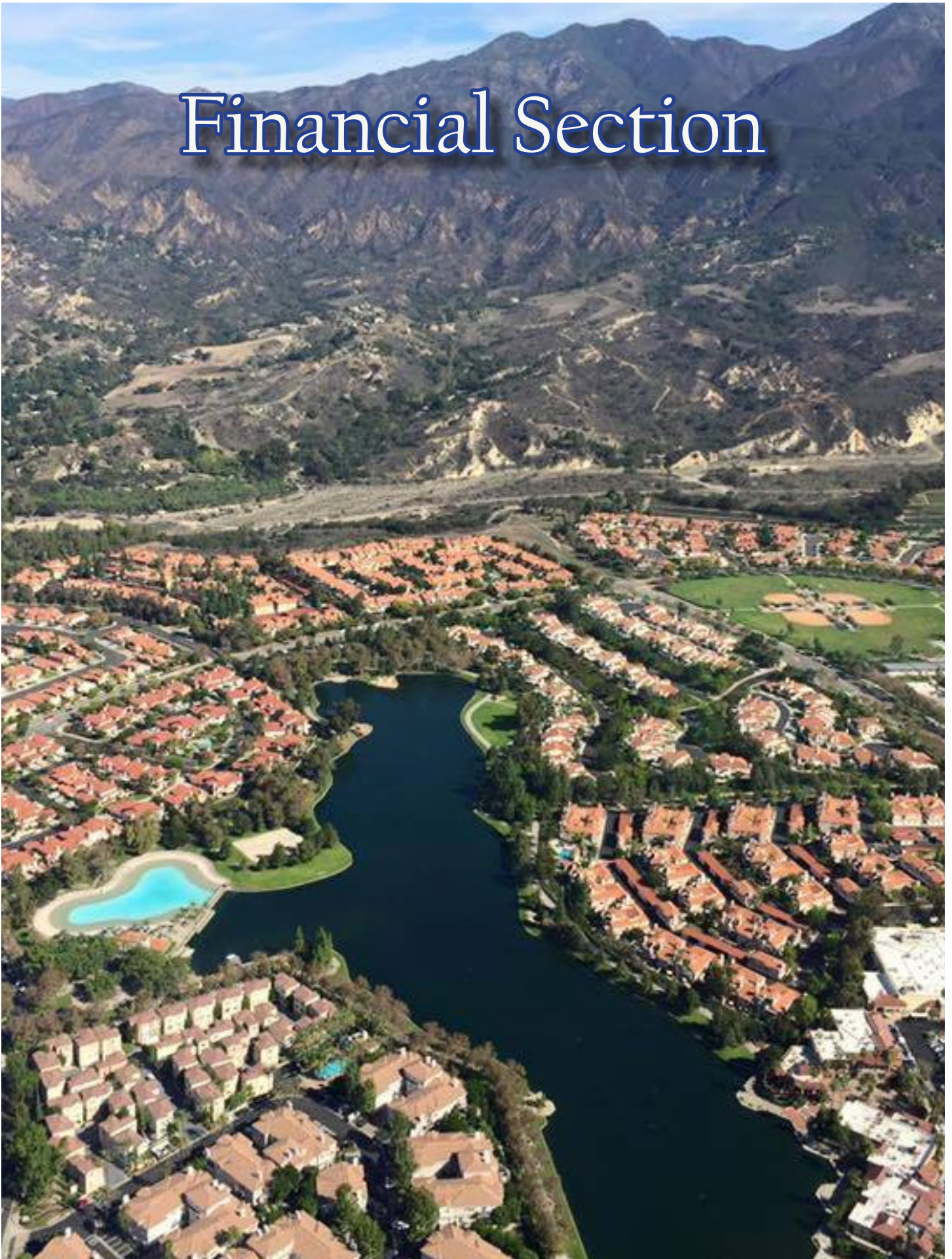
CITY ADMINISTRATION

Jennifer Cervantez
City Manager/City Treasurer

Stefanie Turner/Finance Director
Cheryl Kuta, Assistant City Manager/Development Services 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

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Financial Section



Rancho Santa Margarita, California

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita (the "City"), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *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, Budgetary Comparison Schedules for the General Fund and Grant Fund (ARPA)* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Report on Summarized Comparative Information

We have previously audited the City's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December

15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

The *combining and individual nonmajor fund 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 statements and schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 15, 2022

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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, 2022. 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, 2022, by \$136.5 million (*net position*). Of this amount, \$25.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Legal and contractual obligations restrict \$4.0 million of net position for specific City programs. Investment in capital assets totals \$106.8 million.
- The government's total net position increased by \$4.0 million during the fiscal year ended June 30, 2022. Revenues increased by \$3.0 million. The "Other" revenue decreased by \$0.014 million due to the net effect of a nominal increase in sponsorship revenues offset by fewer one-time revenues and lower claim reimbursements compared to the prior year. There was only nominal sponsorship revenue in FY 21/22 due to the delayed re-opening of the BTRCC. However, Sales Tax increased by \$0.79 million as the COVID-19 restrictions eased and the economy began to recover, as well as, stronger sales tax revenues due to inflationary pricing. Property tax revenue, including Property Tax in lieu of VLF, and Property Transfer Tax revenue, increased \$0.26 million; fees and intergovernmental revenue was slightly up from year to year; operating grants and contributions increased \$0.62 million; however, investment revenue decreased by \$0.28 million due to a low interest rate environment throughout most of the year. Capital grants and contributions showed a significant decrease of \$1.45 million as the SMP Bridge Hinge Repair project grant revenue was received in the prior year, charges for services experienced an increase of \$0.24 million. The increase from the prior year in total government expenses is \$1.03 million which stems from expenditures related to the re-opening of the BTRCC, and the incorporation of prior year expenditure reductions due to the COVID-19 health crisis.
- As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$31.3 million, an increase of \$3.7 million in comparison with the prior year. Approximately 12.8 percent, or \$4.0 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*), and 87.2 percent, or \$27.3 million is available for other spending purposes at the City Council's discretion (*assigned, unassigned fund balance*).

- At June 30, 2022, the City’s General Fund totaled \$27.3 million. Of the total fund balance, \$0.043 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$10.5 million and unassigned fund balance of \$16.8 million. This portion of General Fund totaled \$27.3 million, which equaled 144 percent of total General Fund expenditures including transfers out for the fiscal year ended June 30, 2022. Although available, the City Council has classified this \$27.3 million for specific purposes, including emergencies.
- The City’s total long-term liabilities decreased by \$1.43 million (12.7 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 2021, and a significant decrease in pension liability, and an increase in Other Post-Employment Benefits (OPEB).

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, 2022 and 2021
(in thousands)

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$ 37,600	\$ 32,282
Capital assets	<u>114,264</u>	<u>114,441</u>
Total assets	<u>151,864</u>	<u>146,723</u>
Deferred Outflows of Resources:	<u>1,266</u>	<u>1,247</u>
Liabilities:		
Long-term liabilities	9,820	11,254
Other liabilities	<u>6,006</u>	<u>4,022</u>
Total liabilities	<u>15,826</u>	<u>15,276</u>
Deferred Inflows of Resources:	<u>732</u>	<u>92</u>
Net Position:		
Net investment in capital assets	106,849	106,534
Restricted	3,977	4,243
Unrestricted	<u>25,746</u>	<u>21,825</u>
Total net position	<u>\$ 136,572</u>	<u>\$ 132,602</u>

During the fiscal year ended June 30, 2022, net position of the City increased 3.0 percent to \$136.5 million, of which \$106.8 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$4.0 million is restricted for fulfillment of specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$25.7 million, an increase of 17.9 percent from the prior year total of \$21.8 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, 2022 and 2021
(in thousands)

	Governmental	
	Activities	
	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Charges for service	\$ 1,270	\$ 1,034
Operating grants and contributions	4,904	4,289
Capital grants and contributions	910	2,364
General revenues:		
Property taxes	8,640	8,381
Sales taxes	8,499	7,714
Fees and intergovernmental	1,577	1,417
Other revenues	37	51
Investment revenue (loss)	<u>(232)</u>	<u>51</u>
Total revenues	<u>25,605</u>	<u>25,301</u>
Expenses		
General government	3,272	3,303
Building and planning	1,549	1,322
Public safety	10,472	10,198
Public works	6,106	5,529
Interest expense	<u>236</u>	<u>255</u>
Total expenses	<u>21,635</u>	<u>20,607</u>
Excess (deficit) of revenues over expenses	<u>3,970</u>	<u>4,694</u>
Increase (Decrease) in net position	3,970	4,694
Beginning net position	<u>132,602</u>	<u>127,908</u>
Ending net position	<u><u>\$ 136,572</u></u>	<u><u>\$ 132,602</u></u>

Overall, Citywide revenues for the fiscal year ended June 30, 2022 increased by \$3.0 million a 1.2 percent increase over the prior year. Property tax revenue increased by \$0.26 million and sales tax revenue increased by \$0.79 million as the COVID-19 restrictions eased and the economy began to recover, as well as, stronger sales tax revenues due to inflationary pricing. Other revenue decreased by \$0.014 million due to the net effect of a nominal increase in sponsorship revenues offset by fewer one-time revenues and lower claim reimbursements compared to the prior year. Investment revenue decreased by \$.28 million due to lower interest rates throughout the fiscal year.

- Total program revenues of \$7.1 million were 28 percent of total revenues.
- Total general revenues of \$18.5 million were 72 percent of total revenues.

Total related expenses increased by \$1.03 million, a 4.9 percent increase from the prior year. Public Works expenses, which account for 29 percent of the total expenses, were used for street and median renovation and repair projects throughout the City, traffic signal equipment upgrades and enhancements, first year of the required five year maintenance plan on the Santa Margarita Parkway Bridge Hinge Repair project, as well as, final construction on the Splash Pad at Central Park. Public Safety expenses accounted for 49 percent of total current expenses. General Government expenses account for 16 percent of total expenses, which is a relatively flat compared to the prior year. The overall increase in expenses reflects the incorporation of prior year expenditure reductions; especially within the Building Maintenance and Community Services department due to the re-opening of the BTRCC to the public and the ability to offer programs, events, and rentals 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, 2022, the City's governmental funds reported total combined ending fund balances of \$31.3 million, an increase of \$3.65 million from the prior year. Approximately 33 percent of the City's governmental funds ending fund balances, or \$10.5 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 54 percent of the City's governmental funds ending fund balances, or \$16.8 million, constitutes *unassigned fund balance*, which is available for spending at the government's direction. *Restricted fund balance* of \$4.0 million, or 12.7 percent is available to: 1) pay debt service and 2) use for specific purposes as required by special revenue funds (\$3.97 million). The remainder of fund balance, \$0.043 million, is *committed* to indicate that it is not available for new spending, because it has already been committed to 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, 2022, assigned fund balance was \$10.5 million and unassigned fund balance of the general fund was \$16.8 million, while total fund balance was \$27.3 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 89.3 percent of the total General Fund expenditures including transfers. As mentioned above, however, the City Council has classified the assigned fund balance \$10.5 million for specified purposes.

City of Rancho Santa Margarita
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2022 and 2021
(in thousands)

	2022	2021
Revenues		
Taxes	\$ 17,138	\$ 16,094
Fees and permits	2,120	1,926
Intergovernmental	659	624
Charges for service	382	187
Investment income (loss)	(198)	44
Fines, forfeits and penalties	212	219
Other	37	52
Total revenues	20,350	19,146
Expenditures		
General government	3,571	2,903
Building and planning	1,568	1,441
Public safety	10,325	10,017
Public works	2,381	2,094
Total expenditures	17,845	16,455
Excess (Deficit) of revenues over expenditures	2,505	2,691
Net transfers	956	(167)
Increase in Fund Balance	\$ 3,461	\$ 2,524

For the fiscal year ended June 30, 2022, the cash and investments balance in the General Fund was \$26.2 million, an increase of \$3.5 million compared to the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2022 increased by \$1.20 million, or 6.27 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 \$0.26 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 \$5.3 million of the \$17.1 million in overall taxes category.

- Sales tax revenues increased \$0.79 million, to \$8.5 million, due to increased spending by consumers in response to general economic recovery from the impacts of the pandemic, as well as, inflationary factors.
- Other revenue decreased by \$0.014 million, to \$0.037 million, mostly due to lower claim reimbursements, nominal sponsorship funding as the City moved towards reestablishing events and programs at the BTRCC.
- Investment Revenue decreased by \$.242 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, 2022:

- General government expenditures increased by 23 percent to \$3.6 million from the prior year expenditures. The increase in General Government stems from incorporating prior year expenditure reductions throughout the City departments. The largest increase of expenditures was in the Building Maintenance and Community Services Departments stemming from the planned reopening of the BTRCC, which had been closed due to COVID-19 restrictions in the prior fiscal year.
- Public safety expenditures increased by \$.31 million to \$10.3 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 ongoing COVID-19 restrictions and increased contract costs. The City's Animal Control costs reflect a slight increase due to capital purchases. Public safety expenditures were 58 percent of total General Fund expenditures.
- Public works expenditures increased by \$0.287 million, to \$2.4 million, due to the net effect of the Public Works administration experienced higher costs in the area of solid waste management, as well as, there was a decrease in staff time charged directly to various capital improvement projects in the CIP fund. There was also an increase in park maintenance costs due to the newly constructed splash pad. Street Maintenance reflects an increase in costs for both general street maintenance and traffic signal maintenance. Building maintenance was higher as there was an increase in maintenance costs at the Bell Tower Regional Community Center related to the planned re-opening to reestablish programs, events and rentals, as well as, an increase in utility costs due to higher utility rates.
- Building and planning expenditures increased by \$0.13 million, to \$1.56 million, primarily due to costs associated with the Housing Element Update. 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 \$1.46 million and can be briefly summarized as follows:

- \$0.30 million in decreases allocated to general government activities.
- \$0.28 million in decreases allocated to building and planning activities.
- \$0.18 million in decreases allocated to public works activities
- \$0.70 million in decreases for public safety activities.
- \$0.013 million in decreases for transfers to other funds.

These overall decreases can be attributed to deferred capital projects, the delayed re-opening of the BTRCC, unspent grant funds, credit towards the law enforcement contract, and conservative spending maintained throughout the fiscal year.

The original general fund budget was amended to increase general fund expenditures by \$0.198 million. This increase stem from a budget amendment to increase the use of general fund reserves to be used towards expenditures associated with consultant services for preparation of the Housing Element Rezoning Program, Objective Development Standards, and related environmental law. The Housing Element Rezoning program is required to implement the Housing Element Update required by the State.

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 increased \$.463 million and currently has a negative fund balance of \$863. This change in fund balance stems from the use of fund balance towards various projects; however, the significant change in the negative fund balance is due to the recognition of the HBP grant revenue in the current fiscal year towards expenditures for the SMP Bridge Hinge Repair project completed in the prior fiscal year.

Other Major Funds Highlights: Grant Fund

The Grant Fund accounts for expenditures and capital projects funded by the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) which was established by the American Rescue Plan Act. The fund reflects an amount of \$3.14 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, 2022, amounts to \$114.3 million. The net capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's net capital assets for the current fiscal year was .16 percent.

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

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Governmental Activities:				
Total capital assets not being depreciated	\$ 97,554	\$ 1,933	\$ 2,411	\$ 97,076
Total capital assets being depreciated	90,301	2,542	82	92,761
Total accumulated depreciation	(73,413)	(2,242)	(82)	(75,573)
Total capital assets, being depreciated, net	16,888	300	-	17,188
Governmental activities capital assets, net	\$ 114,442	\$ 2,233	\$ 2,411	\$ 114,264

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

- Additions to construction in progress of \$1.9 million included on-going projects for traffic signal enhancements and upgrades, as well as, initial HVAC unit upgrades. The additions include the completion of traffic signal enhancement and median landscaping renovation projects, ADA curb ramp installation project, the Bell System replacement at City Hall, as well as, the Splash Pad at Central Park.
- Infrastructure additions for the year totaled \$.69 million related to the completion of traffic signal enhancement project, ADA curb ramps, as well as, median improvements and landscape renovation projects.
- Additions to Parks of \$1.68 million stems from the completion of the Splash Pad at Central Park.
- Machinery and Equipment additions include the purchase a police motorcycle, radar message trailers, and audio visual equipment for the Council Chamber, as well as, a touchless water bottle refill station and drinking fountain. While disposals of \$0.061 million included the removal of fully depreciated and no longer in use information technology equipment and software.

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 2022 was an average of 83.2, or satisfactory. This average PCI was maintained since the last update in 2021. 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 \$7.3 million.

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

	Balance			Balance	Long-	Due Within
	June 30, 2021	Increases	Decreases	June 30, 2022	Term	One Year
Lease Revenue						
Refunding Bonds	7,865	-	490	7,375	\$ 6,870	505
Compensated						
Absences	353	313	255	411	226	185
Long-Term Liabilities						
Total	\$ 8,218	\$ 313	\$ 745	\$ 7,786	\$7,096	\$ 690

Long-term debt-related events during the fiscal year ended June 30, 2022 included:

- Compensated absences liabilities increased to \$0.41 million and usage by employees amounted to \$0.25 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2022 totaled \$0.039 million.

Other long-term liability events during the fiscal year ended June 30, 2022 included:

- Other post-employment benefit liabilities, (OPEB) increased by \$0.14 million.
- The Net Pension Liability for Fiscal year 2021/22 had a net decrease of \$1.12 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.

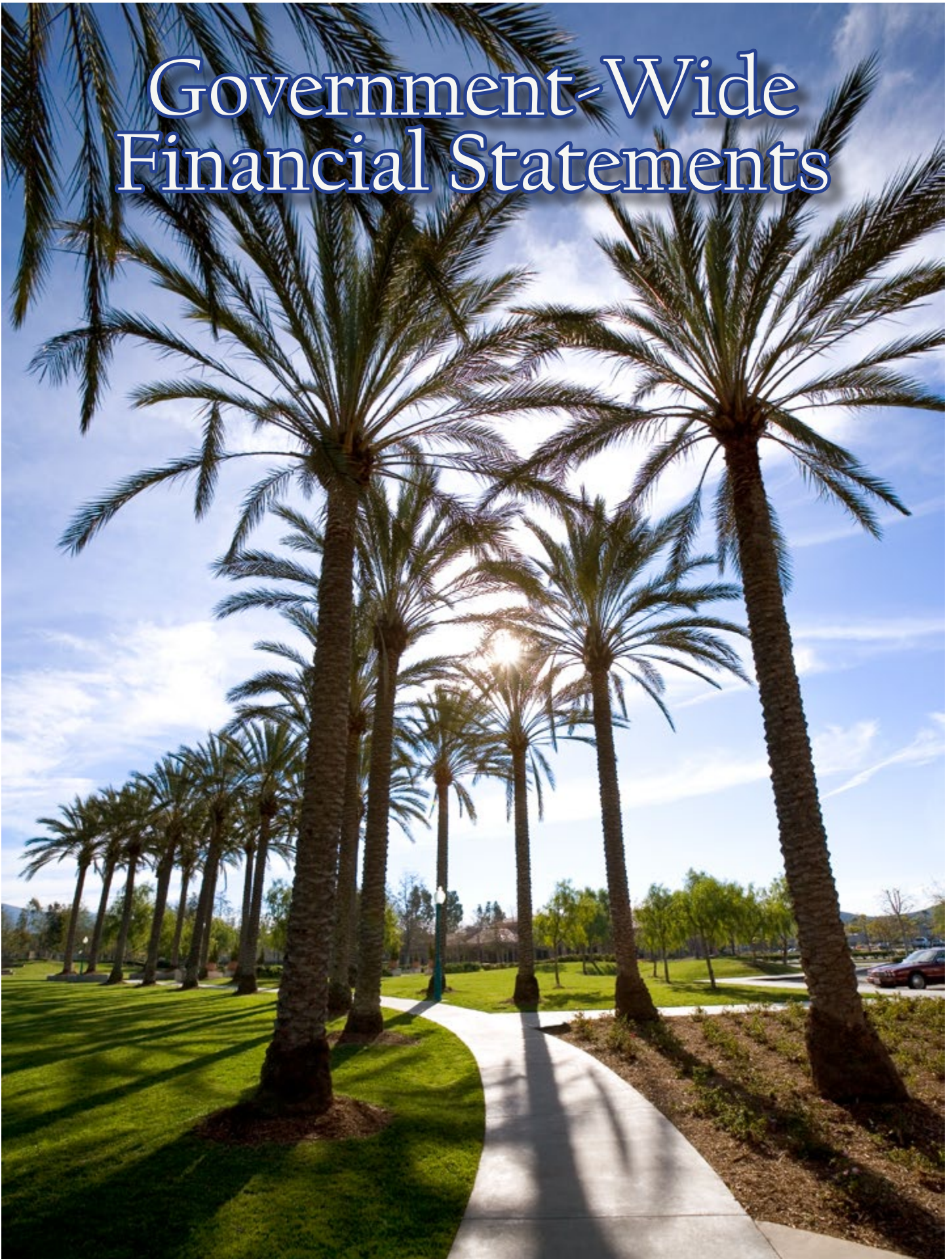
These consultants and agencies include the County of Orange, California Department of Tax and Fee Administration, HdL Companies, and various Universities that provide economic data and analysis. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation, can be obtained from the City's 2022-2023 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, 2022

	Governmental Activities
Assets:	
Cash and investments (note 2)	\$ 34,007,793
Cash and investments with fiscal agent (note 2)	2
Receivables:	
Due from other governments	2,714,378
Accrued interest	40,305
Accounts, net	315,032
Prepaid items	12,718
Non-depreciable capital assets (note 4)	97,076,592
Capital assets, depreciated, net (note 4)	17,187,322
Total assets	151,354,142
Deferred Outflows of Resources:	
Deferred amount on refunding, net of accumulated amortization	273,385
Deferred amounts on OPEB (note 7)	421,437
Deferred amounts on pension plan (note 6)	571,116
Total deferred outflows of resources	1,265,938
Liabilities:	
Accounts payable	1,694,138
Wages payable	130,432
Unearned revenue	3,185,853
Retentions payable	197,599
Deposits	249,781
Interest payable	38,773
Long-term liabilities (note 5):	
Due within one year	689,735
Due in more than one year	7,408,974
Other Post-Employment Benefits (OPEB) Liability (note 7)	999,672
Net Pension Liability (note 6)	721,653
Total liabilities	15,316,610
Deferred Inflows of Resources:	
Deferred amounts on pension plan (note 6)	650,041
Deferred amounts on OPEB (note 7)	81,878
Total deferred inflows of resources	731,919
Net position:	
Net investment in capital assets	106,849,113
Restricted for:	
Public safety	270,270
Public works	3,706,353
Unrestricted	25,745,815
Total net position	\$ 136,571,551

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Program Revenues</u>			<u>Net Governmental Activities</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>		<u>Capital Contributions and Grants</u>
Governmental activities:					
General government	\$ 3,272,322	\$ 146,573	\$ 1,283,743	\$ -	\$ (1,842,006)
Building and planning	1,548,912	856,765	366,705	-	(325,442)
Public safety	10,471,622	211,402	161,285	-	(10,098,935)
Public works	6,106,205	54,895	3,092,471	910,335	(2,048,504)
Interest expense	235,709	-	-	-	(235,709)
Total governmental activities	<u>\$ 21,634,770</u>	<u>\$ 1,269,635</u>	<u>\$ 4,904,204</u>	<u>\$ 910,335</u>	<u>\$ (14,550,596)</u>

General revenues:	
Taxes:	
Property taxes	8,147,963
Sales taxes	8,498,568
Real property transfer taxes	491,610
Franchise fees	1,520,928
Investment income (loss)	(231,678)
Unrestricted intergovernmental revenues	55,664
Other	<u>37,283</u>
Total general revenues	<u>18,520,338</u>
Change in net position	3,969,742
Net position at beginning of year	<u>132,601,809</u>
Net position at end of year	<u>\$ 136,571,551</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 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, 2022**

Assets	General	Capital Projects	Grant Funds	Non-Major Governmental Funds	Totals
Cash and investments	\$ 26,249,384	\$ 704,410	\$ 3,115,025	\$ 3,938,974	\$ 34,007,793
Cash and investments w/fiscal agent	-	-	-	2	2
Receivables:					
Due from other governments	1,817,622	43,437	-	546,180	2,407,239
Due from other governments - deferred	72,033	235,106	-	-	307,139
Due from other funds	-	475,082	34,546	-	509,628
Accrued interest	32,593	6	-	7,706	40,305
Accounts, net	275,032	40,000	-	-	315,032
Prepaid items	12,718	-	-	-	12,718
Total assets	<u>\$ 28,459,382</u>	<u>\$ 1,498,041</u>	<u>\$ 3,149,571</u>	<u>\$ 4,492,862</u>	<u>\$ 37,599,856</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 586,784	\$ 1,066,199	\$ -	\$ 41,155	\$ 1,694,138
Wages payable	130,432	-	-	-	130,432
Due to other funds	34,546	-	-	475,082	509,628
Unearned revenue	36,282	-	3,149,571	-	3,185,853
Retentions payable	-	197,599	-	-	197,599
Deposits	249,781	-	-	-	249,781
Total liabilities	<u>1,037,825</u>	<u>1,263,798</u>	<u>3,149,571</u>	<u>516,237</u>	<u>5,967,431</u>
Deferred Inflows of Resources:					
Unavailable revenue from grants	72,033	235,106	-	-	307,139
Total deferred inflows of resources	<u>72,033</u>	<u>235,106</u>	<u>-</u>	<u>-</u>	<u>307,139</u>
Fund balance:					
Nonspendable: Prepaid items	12,718	-	-	-	12,718
Restricted for debt service	-	-	-	2	2
Restricted for public safety	-	-	-	270,270	270,270
Restricted for public works	-	-	-	3,706,353	3,706,353
Committed for self insurance	30,000	-	-	-	30,000
Assigned:					
Council projects/equipment/facilities	10,452,879	-	-	-	10,452,879
Unassigned	16,853,927	(863)	-	-	16,853,064
Total fund balance	<u>27,349,524</u>	<u>(863)</u>	<u>-</u>	<u>3,976,625</u>	<u>31,325,286</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 28,459,382</u>	<u>\$ 1,498,041</u>	<u>\$ 3,149,571</u>	<u>\$ 4,492,862</u>	<u>\$ 37,599,856</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, 2022**

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

Fund balances of governmental funds		\$ 31,325,286
Capital assets net of depreciation have not been included as financial resources in governmental funds		114,263,914
Long term debt, accrued interest payable, compensated absences, and OPEB liability have not been included in the governmental funds:		
Lease Revenue Refunding Bonds Payable		(7,375,000)
Bond Premium		(313,186)
Deferred Amount on Bond Refunding, net		273,385
Accrued Interest Payable		(38,773)
Compensated Absences Payable		(410,523)
Other Post Employment Benefits (OPEB)		
Deferred outflows of resources	421,437	
Deferred Inflows of resources	(81,878)	
Other Post Employment Benefits (OPEB) Liability	<u>(999,672)</u>	
		(660,113)
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	571,116	
Deferred inflows of resources	(650,041)	
Net Pension Liability	<u>(721,653)</u>	
		(800,578)
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.		<u>307,139</u>
Net position of governmental activities		<u><u>\$ 136,571,551</u></u>

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, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Grant Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 17,138,141	\$ -	\$ -	\$ -	\$ 17,138,141
Fees and permits	2,120,009	-	-	-	2,120,009
Intergovernmental	658,754	908,181	1,451,335	3,255,911	6,274,181
Charges for services	381,813	-	-	-	381,813
Investment income (loss)	(197,972)	(9,823)	-	(23,883)	(231,678)
Fines, forfeits and penalties	211,525	-	-	-	211,525
Other	37,283	-	-	-	37,283
Total revenues	20,349,553	898,358	1,451,335	3,232,028	25,931,274
Expenditures:					
Current:					
General government	3,570,496	-	28,925	51,806	3,651,227
Building and planning	1,568,165	-	24,049	-	1,592,214
Public safety	10,325,164	-	17,116	129,342	10,471,622
Public works	2,381,305	3,019,254	52,085	373,803	5,826,447
Debt Service:					
Principal retirement	-	-	-	490,000	490,000
Interest	-	-	-	242,438	242,438
Total expenditures	17,845,130	3,019,254	122,175	1,287,389	22,273,948
Excess (deficiency) of revenues over (under) expenditures	2,504,423	(2,120,896)	1,329,160	1,944,639	3,657,326
Other financing sources (uses):					
Transfers in (note 3)	1,981,037	2,583,981	-	731,657	5,296,675
Transfers out (note 3)	(1,024,325)	-	(1,329,160)	(2,943,190)	(5,296,675)
Total financing sources (uses)	956,712	2,583,981	(1,329,160)	(2,211,533)	-
Net change in fund balances	3,461,135	463,085	-	(266,894)	3,657,326
Fund balances, beginning of year	23,888,389	(463,948)	-	4,243,519	27,667,960
Fund balances, end of year	<u>\$ 27,349,524</u>	<u>\$ (863)</u>	<u>\$ -</u>	<u>\$ 3,976,625</u>	<u>\$ 31,325,286</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, 2022**

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

Net change in fund balances - total governmental funds	\$ 3,657,326
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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	1,983,021
Depreciation of Capital Assets	(2,160,665)

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)	490,000
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)	3,269
Compensated Absences	(57,697)
Change in OPEB Liability and related deferred outflows and inflows of resources	(87,182)

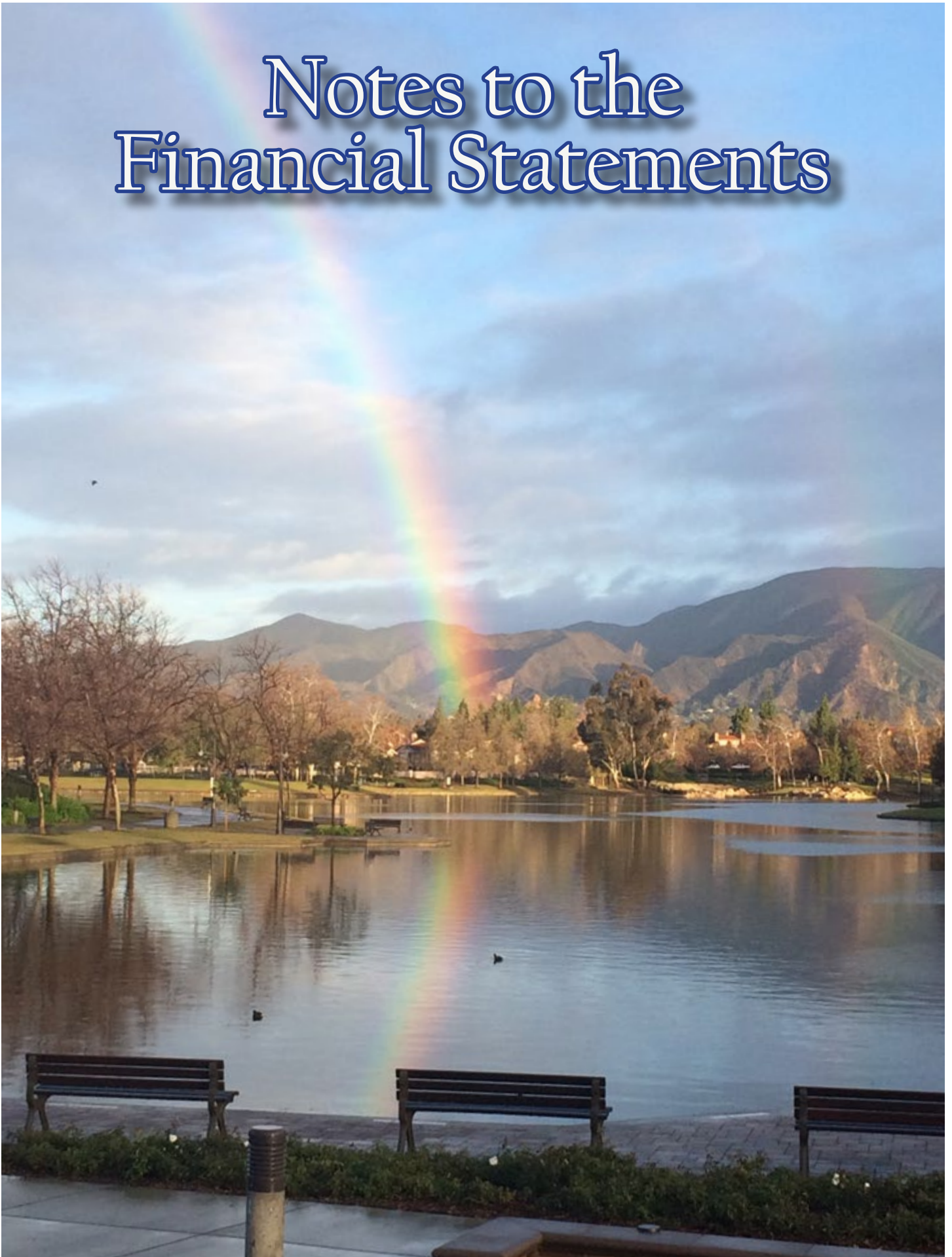
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	464,972
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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.	(326,763)
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Change in net position of governmental activities	\$ 3,969,742
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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, 2022**

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, 2022 (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, 2022 (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 assets 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 assets 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, 2022 (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, 2022 (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 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, 2022 (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, 2022 (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, 2022 (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, 2022 (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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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	\$34,007,793
Cash and investments with fiscal agent	<u>2</u>
Total Cash and Investments	<u>\$34,007,795</u>

Cash and investments at June 30, 2022 consisted of the following:

Cash and Investments held by City:	
Deposits in banks or on hand	\$ 8,239,307
Local Agency Investment Fund (LAIF)	<u>25,768,486</u>
Total Cash and Investments held by City	34,007,793
Cash and Investments held by Fiscal Agent:	
Money Market Mutual Fund	<u>2</u>
Total Cash and Investments	<u>\$34,007,795</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (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, 2022 (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, 2022 (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)	\$ 25,768,486	\$ 25,768,486	\$ -	\$ -	\$ -
Held by bond fiscal agent:					
Money Market Mutual Fund	2	2	-	-	-
Total	\$ 25,768,488	\$ 25,768,488	\$ -	\$ -	\$ -

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)	\$ 25,768,486	N/A	\$ -	\$ 25,768,486
Held by bond fiscal agent:				
Money Market Mutual Fund	2	AAA	2	-
Total	\$ 25,768,488		\$ 2	\$ 25,768,486

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (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, 2022, 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, 2022 (CONTINUED)**

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to / from Other Funds

Interfund receivables and payables as of June 30, 2022, consisted of the following:

	Due from other funds:		
	Capital Fund	Grant Fund	Total
Due to other funds:			
General Fund	\$ -	\$ 34,546	\$ 34,546
Non-major Funds	475,082	-	475,082
Total	\$ 475,082	\$ 34,546	\$ 509,628

The reasons for the interfund receivables and payables between funds are as follows:

- The amount owed by the General fund to the Grant fund of \$34,546 stems from a credit adjustment on the Orange County Sheriff’s Department June 30, 2022 invoice for the crime prevention specialist position.
- The amount of \$475,082 owed by the Local Park Trust Fund (Non-major fund) to the Capital fund stems from an outstanding purchase order on the splash pad equipment. The equipment is expected to be paid for in full in FY 2022/23.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS, (Continued)

Transfers In and Out

Transfers in and out for the year ended June 30, 2022 are as follows:

	Transfers From:			Total
	General Fund	Grant Fund	Non-major Funds	
Transfers To:				
General Fund	\$ -	\$ 1,327,005	\$ 654,032	\$ 1,981,037
Capital Projects	292,668	2,155	2,289,158	2,583,981
Non-major Funds	731,657	-	-	731,657
Total Transfers	\$ 1,024,325	\$ 1,329,160	\$ 2,943,190	\$ 5,296,675

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

- The Transfer of \$1,327,005 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 \$654,032 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 \$292,668 from the General Fund to the Capital Projects Fund was to fund the replacement of the City Hall Bell system (\$25,318), a portion of the Traffic Signal Enhancement project (\$260,000), as well as, some final costs related to various capital improvement projects of (\$7,350).
- The transfer of \$2,155 from the Grant Fund to the Capital Projects Fund was for the initial phased of the HVAC Unit upgrades at the BTRCC and replacement of the sliding doors between City Hall and the BTRCC.
- The transfer of \$2,289,158 from the Non-major Funds to the Capital Projects Fund was primarily to fund the various slurry seal and overlay road projects (\$709,874), various street rehabilitation and improvement projects (\$14,832) and other street, sidewalk repairs and maintenance throughout the city (\$88,007). The transfer also includes traffic signal and equipment upgrades of (\$123,950). The transfer includes the City’s match of Gas Tax funds for the SMP Bridge Hinge Repair project of (\$11,790). It also includes the final construction costs for the Splash Pad project located at Central Park (\$1,006,654), as well as, the median hardscape and landscape renovations (\$313,921), and the Antonio Parkway Gateway improvement project of (\$20,130).
- The transfer of \$731,657 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, 2022 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 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	533,938	1,933,300	2,410,991	56,247
Infrastructure - pavement	<u>46,766,726</u>	<u>-</u>	<u>-</u>	<u>46,766,726</u>
Total capital assets not being depreciated	<u>97,554,283</u>	<u>1,933,300</u>	<u>2,410,991</u>	<u>97,076,592</u>
Capital assets being depreciated:				
Machinery & equipment	1,014,189	116,305	81,530	1,048,964
Buildings	18,577,830	46,720	-	18,624,550
Parks	1,170,827	1,684,424	-	2,855,251
Infrastructure - all others	<u>69,537,993</u>	<u>694,795</u>	<u>-</u>	<u>70,232,788</u>
Total capital assets being depreciated	<u>90,300,839</u>	<u>2,542,244</u>	<u>81,530</u>	<u>92,761,553</u>
Less accumulated depreciation:				
Machinery & equipment	923,991	88,985	81,530	931,446
Buildings	9,715,981	620,819	-	10,336,800
Parks	627,660	114,210	-	741,870
Infrastructure	<u>62,145,933</u>	<u>1,418,182</u>	<u>-</u>	<u>63,564,115</u>
Total accum. Depreciation:	<u>73,413,565</u>	<u>2,242,196</u>	<u>81,530</u>	<u>75,574,231</u>
Total capital assets being depreciated, net	<u>16,887,274</u>	<u>300,047</u>	<u>-</u>	<u>17,187,322</u>
Total capital assets, net	<u>\$114,441,557</u>	<u>\$ 2,233,347</u>	<u>\$ 2,410,991</u>	<u>\$114,263,914</u>

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

Activities:	General government	\$ 88,985
	Public works	<u>2,153,211</u>
	Total	<u>\$ 2,242,196</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS, (Continued)

Significant Commitments

The City had various active, on-going and un-completed projects at June 30, 2022. At year-end, the City’s encumbrances with contractors or consultants for work performed before June 30, 2022, but not yet paid were as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Encumbered in General Fund:		
Antonio Pkwy Gateway Improvements	\$ 20,130	\$ 82,303
Total encumbered in General Fund	<u>\$ 20,130</u>	<u>\$ 82,303</u>

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2022 was as follows:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Due Within One Year</u>
Lease Revenue Refunding Bonds					
City Hall & Regional					
Community Center	\$ 7,865,000	\$ -	\$ 490,000	\$ 7,375,000	\$ 505,000
Bond premium	340,420	-	27,234	313,186	-
Compensated absences	<u>352,826</u>	<u>312,270</u>	<u>254,573</u>	<u>410,523</u>	<u>184,735</u>
Total Governmental					
Long-Term Liabilities	<u>\$ 8,558,246</u>	<u>\$ 312,270</u>	<u>\$ 771,807</u>	<u>\$ 8,098,709</u>	<u>\$ 689,735</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 Public 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”).

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

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, 2022 is \$7,375,000.

The Lease Revenue Refunding Bonds are subject to Federal arbitrage regulations, however, per the previous arbitrage rebate analysis, no further calculations of rebate liability are necessary on this bond issue.

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, 2022, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 505,000	\$ 222,538	\$ 727,538
2024	525,000	201,938	726,938
2025	545,000	180,538	725,538
2026	570,000	158,238	728,238
2027	590,000	139,463	729,463
2028 -2032	3,220,000	446,456	3,666,456
2033-2034	1,420,000	42,900	1,462,900
Totals	<u>\$ 7,375,000</u>	<u>\$ 1,392,071</u>	<u>\$ 8,767,071</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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

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.

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, 2022, 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	February 27, 2011	February 27, 2011	January 1, 2013
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	12.490%	9.340%	7.700% (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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

Contributions

Section 20814 (c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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.

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, 2022, 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	\$ 721,653

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, 2021, 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, 2020 rolled forward to June 30, 2021 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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

The City’s proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	0.04359%
Proportion - June 30, 2021	0.03801%
Change - Increase (Decrease)	-0.00558%

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.

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 (EARSL) 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, 2022, the City recognized a pension credit of \$106,463. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ -
Differences between actual and expected experience	80,926	-
Differences between projected and actual investment earnings	-	629,965
Differences between employer's contributions and proportionate share of contributions	12,533	20,076
Change in employer's proportion	119,148	-
Pension contributions made subsequent to measurement date	358,509	-
Total	<u>\$ 571,116</u>	<u>\$ 650,041</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

\$358,509 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending June 30,	Amount
2023	\$ (56,445)
2024	(86,890)
2025	(120,009)
2026	(174,090)
2027	-
Thereafter	-
	<u>\$ (437,434)</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward June 30, 2020 total pension liability determined in the June 30, 2020 actuarial accounting valuation. The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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.

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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

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, 2022 (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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 6 – PENSION PLAN (Continued)

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:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 2,062,030
Current Discount Rate	7.15%
Net Pension Liability	\$ 721,653
1% Increase	8.15%
Net Pension Liability	\$ (386,418)

Pension Plan Fiduciary Net Position

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

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for FY 2020/21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**CITY OF RANCHO SANTA MARGARITA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

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, 2020 (actuarial valuation date):

Eligible retirees from City service	7
Active employees, both enrolled and un-enrolled in the City’s CalPERS health insurance plan	<u>20</u>
Total	<u>27</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (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 2021/22, the City paid \$143 or \$149 per month as the full amount required by the plan for each retiree from City service, for a total contribution of \$19,843, which is made up of a cash contribution of \$12,264 and an implicit subsidy of \$7,579. 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, 2021 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	2.16%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	2.16%, per year net of expenses. This is based on the Bond Buyer 20 Bond Index.
Mortality Rate ⁽¹⁾	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	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, 2022 (CONTINUED)**

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

Notes:

⁽¹⁾ 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 under Forms and Publications.

⁽²⁾ 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 under Forms and Publications

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16 percent. The interest rate used in the prior valuation was 2.20%. 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, 2022 (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, 2020	<u>\$ 856,773</u>
Changes recognized for the measurement period:	
Service Cost	75,184
Interest	19,676
Changes of assumptions	24,535
Net Investment income	-
Experience (Gains) / Losses	53,389
Benefit payments	(29,885)
Benefit payment terms	-
Administrative expense	-
Net Changes during 2020-21	142,899
Balance at June 30, 2021 <i>(Measurement Date June 30, 2021)</i>	<u>\$ 999,672</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

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

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, 2021:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
OPEB Liability	\$1,153,848	\$999,672	\$875,340

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, 2021:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
OPEB Liability	\$846,760	\$999,672	\$1,196,913

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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

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

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

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$127,801. As of fiscal year ended June 30, 2022, 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	\$ 19,843	\$ -
Changes of Assumptions	328,827	-
Changes in Experience	-	9,111
Total	\$ 348,670	\$ 9,111

The \$19,843 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30,	Deferred Outflows/Inflows of Resources
2022	\$ 32,941
2023	32,941
2024	32,941
2025	32,941
2026	32,941
Thereafter	155,011

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

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 California Intergovernmental Risk Authority (CIRA). There is a self-insured retention of \$10,000 per claim. CIRA 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 \$146,308 for the fiscal year ended June 30, 2022.

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 \$69,647 for the fiscal year ending June 30, 2022.

Property Insurance

The City purchases commercial property insurance through CIRA 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 CIRA with limits of \$1,000,000 and a \$2,500 deductible.

Insurance premium payments to CIRA 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, 2022. 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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 9 – CONTINGENT LIABILITIES (continued)

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.

The City’s General fund balance classifications at June 30, 2022, are presented below and followed by explanations as to the nature and purpose of assigned and unassigned classifications.

General Fund:

Unspendable: Prepaid items	\$	12,718
Committed for self insurance		30,000
Assigned:		
Council Strategic	\$	2,991,808
Technology		872,175
Facilities		4,895,774
Vehicles		354,185
Infrastructure		1,338,937
Total Assigned: Council projects/equipment/facilities		10,452,879
Unassigned:		
Emergency Policy		16,853,927
Total General Fund Balance		\$ 27,349,524

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

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

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.

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, 2022, 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	(\$863)

The Capital Improvement Project Fund has an unassigned negative balance of \$863. The negative balance is due to the reimbursement of grant funds for the expenditures of the Splash Pad project from the State Capita Park grant were not received within the City’s revenue recognition availability period offset by the Highway Bridge Program (HBP) grant funds due to the City for expenditures completed in the prior fiscal year. The grant funds from the State Capita Park grant of \$207,778 have since been received by the City, and recorded in the Capital Improvement Project Fund in the fiscal year 2022/23.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 11 – EXCESS EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations for the year ended June 30, 2022 as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Gas Tax	\$ 338,808	\$ 373,803	\$ (34,995)

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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, 2022**

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

Last Ten Fiscal Years*

Fiscal year ended June 30	2022	2021	2020	2019
Measurement date ended June 30	2021	2020	2019	2018
Plan's proportion of the net pension liability	0.01334%	0.01690%	0.01657%	0.01619%
Plan's proportionate share of the net pension liability	\$ 721,653	\$ 1,838,776	\$ 1,697,876	\$ 1,560,147
Plan's covered payroll	\$ 2,289,372	\$ 2,481,988	\$ 2,269,275	\$ 2,226,095
Plan's proportionate share of the net pension liability as a percentage of covered payroll	31.52%	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	88.29%	75.10%	75.26%	75.26%
Plan's proportionate share of aggregate employer contributions	\$ 370,910	\$ 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 expense.

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.

From fiscal year June 30, 2021 to June 30, 2022:

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, 2022**

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

Last Ten Fiscal Years*

	2022	2021	2020
Contractually required contribution (actuarially determined)	\$ 358,509	\$ 346,683	\$ 317,543
Contributions in relation to the actuarially determined contributions	358,509	346,683	317,543
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 2,483,967	\$ 2,289,372	\$ 2,481,988
Contributions as a percentage of covered payroll	14.43%	15.14%	12.79%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2017
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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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 331,671	\$ 300,998	\$ 296,102	\$ 269,353	\$ 258,665
<u>331,671</u>	<u>300,998</u>	<u>296,102</u>	<u>269,353</u>	<u>258,665</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,269,275	\$ 2,226,095	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340
14.62%	13.52%	12.96%	12.56%	14.50%
6/30/2016	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, 2022

Measurement Date ended June 30	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 75,184	\$ 56,298	\$ 31,006	\$ 32,568	\$ 31,696
Interest on the total OPEB liability	19,676	23,776	17,189	16,531	13,886
Actual and expected experience difference	53,389	-	(89,499)	-	-
Changes in assumptions	24,535	139,229	273,859	(22,286)	-
Changes in benefit terms	-	-	(1,018)	-	-
Benefit payments	(29,885)	(27,371)	(8,070)	(8,338)	(8,017)
Net change in total OPEB liability	142,899	191,932	223,467	18,475	37,565
Total OPEB liability - beginning	856,773	664,841	441,374	422,899	385,334
Total OPEB liability - ending (a)	<u>\$ 999,672</u>	<u>\$ 856,773</u>	<u>\$ 664,841</u>	<u>\$ 441,374</u>	<u>\$ 422,899</u>
Covered-employee payroll	\$ 2,289,372	\$ 2,481,988	\$ 2,269,275	\$ 2,269,275	\$ 2,226,095
Net OPEB liability as a percentage of covered-employee payroll	43.67%	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.

The discount rate changed from 2.20% to 2.16% for the valuation done as of the June 30, 2021 measurement date.

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 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
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<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	\$ 15,423,449	\$ 15,423,449	\$ 17,138,141	\$ 1,714,692
Fees and permits	2,011,166	2,011,166	2,120,009	108,843
Intergovernmental	856,931	856,931	658,754	(198,177)
Charges for service	339,003	339,003	381,813	42,810
Investment income (loss)	143,000	143,000	(197,972)	(340,972)
Fines, forfeits and penalties	219,950	219,950	211,525	(8,425)
Other	618,757	71,059	37,283	(33,776)
	<u>19,612,256</u>	<u>19,064,558</u>	<u>20,349,553</u>	<u>1,284,995</u>
Expenditures:				
General government	3,874,002	3,874,002	3,570,496	303,506
Building and planning	1,643,015	1,841,015	1,568,165	272,850
Public safety	11,021,716	11,021,716	10,325,164	696,552
Public works	2,556,961	2,556,961	2,381,305	175,656
Total expenditures	<u>19,095,694</u>	<u>19,293,694</u>	<u>17,845,130</u>	<u>1,448,564</u>
Other financing sources (uses):				
Transfers in	1,546,321	2,094,019	1,981,037	(112,982)
Transfers out	(1,037,438)	(1,037,438)	(1,024,325)	13,113
Total financing sources (uses)	<u>508,883</u>	<u>1,056,581</u>	<u>956,712</u>	<u>(99,869)</u>
Net change in fund balances	1,025,445	827,445	3,461,135	2,633,690
Fund balances, beginning of year	<u>23,888,389</u>	<u>23,888,389</u>	<u>23,888,389</u>	<u>-</u>
Fund balances, end of year	<u>\$ 24,913,834</u>	<u>\$ 24,715,834</u>	<u>\$ 27,349,524</u>	<u>\$ 2,633,690</u>

See Notes to the Required Supplementary Information

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**BUDGETARY COMPARISON SCHEDULE
GRANT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<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	\$ 2,360,444	\$ 2,360,444	\$ 1,451,335	\$ (909,109)
Investment income	7,700	7,700	-	(7,700)
Total revenues	<u>2,368,144</u>	<u>2,368,144</u>	<u>1,451,335</u>	<u>(916,809)</u>
Expenditures:				
General Government	443,470	142,428	28,925	113,503
Building and Planning	-	-	24,049	(24,049)
Public Safety	234,735	234,735	17,116	217,619
Public Works	165,000	75,139	52,085	23,054
Total expenditures	<u>843,205</u>	<u>452,302</u>	<u>122,175</u>	<u>330,127</u>
Other financing sources (uses):				
Transfers out	<u>(1,339,946)</u>	<u>(1,730,849)</u>	<u>(1,329,160)</u>	<u>401,689</u>
Total financing sources (uses)	<u>(1,339,946)</u>	<u>(1,730,849)</u>	<u>(1,329,160)</u>	<u>401,689</u>
Net change in fund balances	184,993	184,993	-	(184,993)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 184,993</u>	<u>\$ 184,993</u>	<u>\$ -</u>	<u>\$ (184,993)</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, 2022**

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 M2 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 2022 was an average of 83.2, or satisfactory. This average PCI was maintained since the last update in 2021. 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, 2022 (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>
2022: Pavement subsystem	83.2	70
2021: Pavement subsystem	83.8	70
2020: Pavement subsystem	85.4	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 2022, as of June 30, 2022, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 83.2, or satisfactory.

The first year of implementation of the modified approach for street pavement was June 30, 2003. The following compares the actual street maintenance cost to the budgeted street maintenance costs over the last five years. Appropriations totaling \$3,801,705 have been budgeted for the fiscal year ending June 30, 2023, for maintenance/rehabilitation to maintain PCI standard.

**CITY OF RANCHO SANTA MARGARITA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

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

	Street Maintenance Cost	Street Maintenance Budget
June 2022	\$ 1,835,101	\$ 3,451,506
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

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.

For reporting purposes the ARPA fund is under the title of Grant fund within the Annual Comprehensive Financial Report for FY 2021/22.

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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (CONTINUED)**

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING, (continued)

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, 2022**

Assets	Special Revenue Funds			
	<u>Gas Tax</u>	<u>Measure M</u>	<u>Air Quality Management District</u>	<u>Traffic Congestion Relief Fund</u>
Cash and investments	\$ 211,771	\$ 535,730	\$ 205,699	\$ -
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	201,039	162,431	15,847	-
Interest receivable	901	753	279	-
Total assets	<u>\$ 413,711</u>	<u>\$ 698,914</u>	<u>\$ 221,825</u>	<u>\$ -</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 31,499	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>31,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for debt service	-	-	-	-
Restricted for public safety	-	-	-	-
Restricted for public works	382,212	698,914	221,825	-
Total fund balances	<u>382,212</u>	<u>698,914</u>	<u>221,825</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 413,711</u>	<u>\$ 698,914</u>	<u>\$ 221,825</u>	<u>\$ -</u>

Special Revenue Funds				Debt Service Fund	
Local Park Trust Fund	Supplemental Law Enforce- ment Services	PEG Fee Fund	RMRA Fund	Rancho Santa Margarita PFA	Totals
\$ 511,545	\$ 279,463	\$ 622,240	\$ 1,572,526	\$ -	\$ 3,938,974
-	-	-	-	2	2
-	-	-	166,863	-	546,180
1,579	463	990	2,741	-	7,706
<u>\$ 513,124</u>	<u>\$ 279,926</u>	<u>\$ 623,230</u>	<u>\$ 1,742,130</u>	<u>\$ 2</u>	<u>\$ 4,492,862</u>
\$ -	\$ 9,656	\$ -	\$ -	\$ -	\$ 41,155
475,082	-	-	-	-	475,082
<u>475,082</u>	<u>9,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,237</u>
-	-	-	-	2	2
-	270,270	-	-	-	270,270
38,042	-	623,230	1,742,130	-	3,706,353
<u>38,042</u>	<u>270,270</u>	<u>623,230</u>	<u>1,742,130</u>	<u>2</u>	<u>3,976,625</u>
<u>\$ 513,124</u>	<u>\$ 279,926</u>	<u>\$ 623,230</u>	<u>\$ 1,742,130</u>	<u>\$ 2</u>	<u>\$ 4,492,862</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, 2022**

	<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	\$ 1,132,790	\$ 930,570	\$ 61,969	\$ -
Investment income (loss)	57	(4,135)	(1,563)	19
Total revenues	<u>1,132,847</u>	<u>926,435</u>	<u>60,406</u>	<u>19</u>
Expenditures:				
Current:				
General government	-	-	-	-
Building and Planning	-	-	-	-
Public safety	-	-	-	-
Public works	373,803	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>373,803</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>759,044</u>	<u>926,435</u>	<u>60,406</u>	<u>19</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(764,804)	(576,762)	(875)	(5,717)
Total financing sources (uses)	<u>(764,804)</u>	<u>(576,762)</u>	<u>(875)</u>	<u>(5,717)</u>
Net change in fund balances	(5,760)	349,673	59,531	(5,698)
Fund balances, beginning of year	<u>387,972</u>	<u>349,241</u>	<u>162,294</u>	<u>5,698</u>
Fund balances, end of year	<u>\$ 382,212</u>	<u>\$ 698,914</u>	<u>\$ 221,825</u>	<u>\$ -</u>

Special Revenue Funds				Debt Service Fund	
Local Park Trust Fund	Supplemental Law Enforce- ment Services	PEG Fee Fund	RMRA Fund	Rancho Santa Margarita PFA	Totals
\$ -	\$ 161,285	\$ -	\$ 969,297	\$ -	\$ 3,255,911
(1,301)	(1,891)	(4,201)	(10,872)	4	(23,883)
<u>(1,301)</u>	<u>159,394</u>	<u>(4,201)</u>	<u>958,425</u>	<u>4</u>	<u>3,232,028</u>
-	-	51,806	-	-	51,806
-	-	-	-	-	-
-	129,342	-	-	-	129,342
-	-	-	-	-	373,803
-	-	-	-	490,000	490,000
-	-	-	-	242,438	242,438
<u>-</u>	<u>129,342</u>	<u>51,806</u>	<u>-</u>	<u>732,438</u>	<u>1,287,389</u>
<u>(1,301)</u>	<u>30,052</u>	<u>(56,007)</u>	<u>958,425</u>	<u>(732,434)</u>	<u>1,944,639</u>
-	-	-	-	731,657	731,657
(1,006,654)	-	-	(588,378)	-	(2,943,190)
<u>(1,006,654)</u>	<u>-</u>	<u>-</u>	<u>(588,378)</u>	<u>731,657</u>	<u>(2,211,533)</u>
(1,007,955)	30,052	(56,007)	370,047	(777)	(266,894)
<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>\$ 38,042</u>	<u>\$ 270,270</u>	<u>\$ 623,230</u>	<u>\$ 1,742,130</u>	<u>\$ 2</u>	<u>\$ 3,976,625</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, 2022**

	<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	\$ 1,248,699	\$ 1,248,699	\$ 1,132,790	\$ (115,909)
Investment income	5,000	5,000	57	(4,943)
Total revenues	<u>1,253,699</u>	<u>1,253,699</u>	<u>1,132,847</u>	<u>(120,852)</u>
Expenditures:				
Public works - current	338,808	338,808	373,803	(34,995)
Total expenditures	<u>338,808</u>	<u>338,808</u>	<u>373,803</u>	<u>(34,995)</u>
Other financing sources (uses):				
Transfers out	(984,141)	(984,141)	(764,804)	219,337
Total financing sources (uses)	<u>(984,141)</u>	<u>(984,141)</u>	<u>(764,804)</u>	<u>219,337</u>
Net change in fund balances	(69,250)	(69,250)	(5,760)	63,490
Fund balances, beginning of year	<u>387,972</u>	<u>387,972</u>	<u>387,972</u>	<u>-</u>
Fund balances, end of year	<u>\$ 318,722</u>	<u>\$ 318,722</u>	<u>\$ 382,212</u>	<u>\$ 63,490</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, 2022**

	<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	\$ 712,329	\$ 712,329	\$ 930,570	\$ 218,241
Investment income (loss)	3,000	3,000	(4,135)	(7,135)
Total revenues	<u>715,329</u>	<u>715,329</u>	<u>926,435</u>	<u>211,106</u>
Other financing sources (uses):				
Transfers out	(810,029)	(810,029)	(576,762)	233,267
Total financing sources (uses)	<u>(810,029)</u>	<u>(810,029)</u>	<u>(576,762)</u>	<u>233,267</u>
Net change in fund balances	(94,700)	(94,700)	349,673	444,373
Fund balances, beginning of year	<u>349,241</u>	<u>349,241</u>	<u>349,241</u>	<u>-</u>
Fund balances, end of year	<u>\$ 254,541</u>	<u>\$ 254,541</u>	<u>\$ 698,914</u>	<u>\$ 444,373</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, 2022**

	<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	\$ 61,969	\$ 2,297
Investment income (loss)	328	328	(1,563)	(1,891)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>60,406</u>	<u>406</u>
Other financing sources (uses):				
Transfers out	<u>(57,000)</u>	<u>(57,000)</u>	<u>(875)</u>	<u>56,125</u>
Total financing sources (uses)	<u>(57,000)</u>	<u>(57,000)</u>	<u>(875)</u>	<u>56,125</u>
Net change in fund balances	3,000	3,000	59,531	56,531
Fund balances, beginning of year	<u>162,294</u>	<u>162,294</u>	<u>162,294</u>	<u>-</u>
Fund balances, end of year	<u>\$ 165,294</u>	<u>\$ 165,294</u>	<u>\$ 221,825</u>	<u>\$ 56,531</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, 2022**

	<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	\$ -	\$ -	\$ 19	\$ 19
Total revenues	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
Other financing sources (uses):				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,717)</u>	<u>(717)</u>
Total financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,717)</u>	<u>(717)</u>
Net change in fund balance	(5,000)	(5,000)	(5,698)	(698)
Fund balances, beginning of year	<u>5,698</u>	<u>5,698</u>	<u>5,698</u>	<u>-</u>
Fund balances, end of year	<u>\$ 698</u>	<u>\$ 698</u>	<u>\$ -</u>	<u>\$ (698)</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, 2022**

	<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)	\$ -	\$ -	\$ (1,301)	\$ (1,301)
Total revenues	<u>-</u>	<u>-</u>	<u>(1,301)</u>	<u>(1,301)</u>
Other financing sources (uses):				
Transfers out	(200,000)	(1,045,996)	(1,006,654)	39,342
Total financing sources (uses)	<u>(200,000)</u>	<u>(1,045,996)</u>	<u>(1,006,654)</u>	<u>39,342</u>
Net change in fund balances	(200,000)	(1,045,996)	(1,007,955)	38,041
Fund balances, beginning of year	<u>1,045,997</u>	<u>1,045,997</u>	<u>1,045,997</u>	<u>-</u>
Fund balances, end of year	<u>\$ 845,997</u>	<u>\$ 1</u>	<u>\$ 38,042</u>	<u>\$ 38,041</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, 2022**

	<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	\$ 161,285	\$ 61,832
Investment income (loss)	547	547	(1,891)	(2,438)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>159,394</u>	<u>59,394</u>
Expenditures:				
Public safety - current	<u>143,491</u>	<u>143,491</u>	<u>129,342</u>	<u>14,149</u>
Total expenditures	<u>143,491</u>	<u>143,491</u>	<u>129,342</u>	<u>14,149</u>
Net change in fund balances	(43,491)	(43,491)	30,052	73,543
Fund balances, beginning of year	<u>240,218</u>	<u>240,218</u>	<u>240,218</u>	<u>-</u>
Fund balances, end of year	<u>\$ 196,727</u>	<u>\$ 196,727</u>	<u>\$ 270,270</u>	<u>\$ 73,543</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, 2022**

	<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)	\$ -	\$ -	\$ (4,201)	\$ (4,201)
Total revenues	<u>-</u>	<u>-</u>	<u>(4,201)</u>	<u>(4,201)</u>
Expenditures:				
General government	59,286	59,286	51,806	7,480
Total expenditures	<u>59,286</u>	<u>59,286</u>	<u>51,806</u>	<u>7,480</u>
Net change in fund balances	(59,286)	(59,286)	(56,007)	3,279
Fund balances, beginning of year	<u>679,237</u>	<u>679,237</u>	<u>679,237</u>	<u>-</u>
Fund balances, end of year	<u>\$ 619,951</u>	<u>\$ 619,951</u>	<u>\$ 623,230</u>	<u>\$ 3,279</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, 2022**

	<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	\$ 949,408	\$ 949,408	\$ 969,297	\$ 19,889
Investment income (loss)	7,500	7,500	(10,872)	(18,372)
Total revenues	<u>956,908</u>	<u>956,908</u>	<u>958,425</u>	<u>1,517</u>
Other financing sources (uses):				
Transfers out	(2,050,000)	(2,050,000)	(588,378)	1,461,622
Total financing sources (uses)	<u>(2,050,000)</u>	<u>(2,050,000)</u>	<u>(588,378)</u>	<u>1,461,622</u>
Net change in fund balances	(1,093,092)	(1,093,092)	370,047	1,463,139
Fund balances, beginning of year	<u>1,372,083</u>	<u>1,372,083</u>	<u>1,372,083</u>	<u>-</u>
Fund balances, end of year	<u>\$ 278,991</u>	<u>\$ 278,991</u>	<u>\$ 1,742,130</u>	<u>\$ 1,463,139</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, 2022**

	<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	\$ -	\$ -	\$ 4	\$ 4
Total revenues	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Expenditures:				
Debt Service:				
Principal retirement	490,000	490,000	490,000	-
Interest	242,438	242,438	242,438	-
Total expenditures	<u>732,438</u>	<u>732,438</u>	<u>732,438</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	732,438	732,438	731,657	(781)
Total financing sources (uses)	<u>732,438</u>	<u>732,438</u>	<u>731,657</u>	<u>(781)</u>
Net change in fund balances	-	-	(777)	(777)
Fund balances, beginning of year	<u>779</u>	<u>779</u>	<u>779</u>	<u>-</u>
Fund balances, end of year	<u>\$ 779</u>	<u>\$ 779</u>	<u>\$ 2</u>	<u>\$ (777)</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, 2022**

	<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	\$ 1,041,006	\$ 1,041,784	\$ 908,181	\$ (133,603)
Investment income (loss)	-	-	(9,823)	(9,823)
Total revenues	<u>1,041,006</u>	<u>1,041,784</u>	<u>898,358</u>	<u>(143,426)</u>
Expenditures:				
Public works	<u>5,089,006</u>	<u>5,935,780</u>	<u>3,019,254</u>	<u>2,916,526</u>
Total expenditures	<u>5,089,006</u>	<u>5,935,780</u>	<u>3,019,254</u>	<u>2,916,526</u>
Other financing sources (uses):				
Transfers in	4,048,000	4,893,996	2,583,981	(2,310,015)
Transfers out	-	-	-	-
Total financing sources (uses)	<u>4,048,000</u>	<u>4,893,996</u>	<u>2,583,981</u>	<u>(2,310,015)</u>
Net change in fund balances	-	-	463,085	463,085
Fund balances (deficit), beginning of year	<u>(463,948)</u>	<u>(463,948)</u>	<u>(463,948)</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ (463,948)</u>	<u>\$ (463,948)</u>	<u>\$ (863)</u>	<u>\$ 463,085</u>

Statistical Section

RANCHO SANTA MARGARITA
CIVIC PLAZA

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**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in				
Capital Assets	\$ 106,849,113	\$ 106,534,073	\$ 104,695,075	\$ 105,277,597
Restricted for:				
Public Safety	270,270	240,218	212,539	174,629
Public Works	3,706,353	4,002,522	3,664,065	3,940,779
Debt Service	-	-	-	-
Unrestricted	25,745,815	21,824,996	19,335,960	19,262,675
Total Governmental Activities				
Net Position	<u>\$ 136,571,551</u>	<u>\$ 132,601,809</u>	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>
 PRIMARY GOVERNMENT				
Net Investment in				
Capital Assets	\$ 106,849,113	\$ 106,534,073	\$ 104,695,075	\$ 105,277,597
Restricted for				
Public Safety	270,270	240,218	212,539	174,629
Public Works	3,706,353	4,002,522	3,664,065	3,940,779
Unrestricted	25,745,815	21,824,996	19,335,960	19,262,675
Total Primary Government				
Net Position	<u>\$ 136,571,551</u>	<u>\$ 132,601,809</u>	<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>

** 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 (2013-2022)

2018	2017	2016	2015**	2014	2013
\$ 106,775,273	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951	\$ 108,436,257	\$ 111,018,064
147,789	113,112	99,309	109,554	115,371	117,440
3,729,900	3,728,757	3,936,815	3,604,728	3,703,419	3,012,689
114	1,526,835	1,515,534	1,509,121	2,357,303	2,351,627
17,171,094	13,960,569	14,981,977	13,325,625	14,065,311	12,381,485
\$ 127,824,170	\$ 128,581,372	\$ 129,690,863	\$ 127,408,979	\$ 128,677,661	\$ 128,881,305

\$ 106,775,273	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951	\$ 108,436,257	\$ 111,018,064
147,789	113,112	99,309	109,554	115,371	117,440
3,729,900	3,728,757	3,936,815	3,604,728	3,703,419	3,012,689
17,171,094	13,960,569	14,981,977	13,325,625	14,065,311	12,381,485
\$ 127,824,170	\$ 128,581,372	\$ 129,690,863	\$ 127,408,979	\$ 128,677,661	\$ 128,881,305

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
EXPENSES				
Governmental Activities:				
General Government	\$ 3,272,322	\$ 3,302,713	\$ 4,143,355	\$ 4,042,811
Building & Planning	1,548,912	1,322,446	1,158,233	1,211,945
Public Safety	10,471,622	10,197,832	10,080,372	9,776,922
Public Works	6,106,205	5,529,289	7,175,142	6,159,832
Capital Outlay	-	-	-	-
Principal Retirement	-	-	-	-
Interest Expense	235,709	255,002	273,645	291,511
Bond Issuance Costs	-	-	-	-
Total Governmental Activities Expenses	<u>21,634,770</u>	<u>20,607,282</u>	<u>22,830,747</u>	<u>21,483,021</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	146,573	3,878	246,938	426,030
Building and Planning	856,765	750,545	650,298	673,447
Public Safety	211,402	218,946	216,076	169,305
Public Works	54,895	60,665	79,086	66,913
Operating Contributions and Grants	4,904,204	4,289,475	3,996,755	3,128,799
Capital Contributions and Grants	910,335	2,364,376	74,394	162,896
Total Governmental Activities Program Revenues	<u>7,084,174</u>	<u>7,687,885</u>	<u>5,263,547</u>	<u>4,627,390</u>
Total Net Revenues (Expenses)	<u>\$ (14,550,596)</u>	<u>\$ (12,919,397)</u>	<u>\$ (17,567,200)</u>	<u>\$ (16,855,631)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 8,147,963	\$ 7,946,855	\$ 7,683,778	\$ 7,436,398
Sales Taxes	8,498,568	7,713,518	6,729,367	7,109,635
Real Property Transfer Taxes	491,610	433,781	289,637	262,145
Unrestricted intergovernmental revenue		35,787	38,750	23,678
Motor Vehicle in-lieu tax, unrestricted intergovernmental		-	-	-
Prop 1A, unrestricted intergovernmental	55,664	-	-	-
Franchise fees	1,520,928	1,381,407	1,379,572	1,436,938
Investment Income (loss)	(231,678)	50,640	516,497	571,340
Other	37,283	51,579	181,558	847,007
Total Governmental Activities	<u>18,520,338</u>	<u>17,613,567</u>	<u>16,819,159</u>	<u>17,687,141</u>
Changes in Net Position	<u>\$ 3,969,742</u>	<u>\$ 4,694,170</u>	<u>\$ (748,041)</u>	<u>\$ 831,510</u>

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

Source: City Finance Division, Comprehensive Annual Financial Report (2013-2022)

2018	2017	2016	2015	2014	2013
\$ 4,391,682	\$ 2,700,266	\$ 3,421,649	\$ 3,698,159	\$ 3,867,419	\$ 3,888,959
1,136,247	1,090,593	1,169,254	998,296	1,056,954	1,100,413
9,513,766	9,644,961	7,572,663	8,105,354	7,756,218	7,574,596
5,978,125	6,162,890	4,718,605	7,521,705	5,523,014	5,240,653
-	925	-	-	-	484,024
-	967,536	-	-	-	-
308,581	325,176	341,109	355,077	365,344	329,313
-	-	-	-	-	236,018
<u>21,328,401</u>	<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>
476,159	424,862	431,449	405,724	370,213	332,013
744,275	660,136	786,225	556,526	603,515	805,777
138,224	142,914	163,463	198,883	173,246	194,812
42,663	83,792	59,890	50,079	50,058	103,438
3,262,849	3,114,256	2,545,411	3,259,584	3,402,535	3,561,137
12,927	-	-	-	-	-
<u>4,677,097</u>	<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>\$ (16,651,304)</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>
\$ 7,110,720	\$ 6,746,586	\$ 6,534,986	\$ 6,235,194	\$ 2,129,782	\$ 2,042,934
6,658,452	6,669,064	6,809,341	6,037,535	6,022,595	5,827,740
355,744	362,285	333,339	300,415	284,486	271,322
25,583	-	-	-	-	-
-	-	-	- *	3,773,829	3,734,052
-	-	-	-	-	-
1,368,975	1,380,895	1,499,296	1,516,529	1,450,159	1,419,802
284,016	147,992	103,995	66,916	59,131	51,058
126,795	50,074	237,769	1,785,010	45,216	573,704
<u>15,930,285</u>	<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>\$ (721,019)</u>	<u>\$ (1,109,491)</u>	<u>\$ 2,281,884</u>	<u>\$ (266,196)</u>	<u>\$ (204,184)</u>	<u>\$ 63,813</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
GENERAL FUND				
Nonspendable	\$ 12,718	\$ 9,749	\$ 11,807	\$ 6,582
Restricted	-	-	-	-
Committed	30,000	45,220	50,004	240,059
Assigned	10,452,879	9,374,355	8,512,921	8,761,323
Unassigned	16,853,927	14,459,065	12,790,146	11,614,014
Total General Fund	<u>\$ 27,349,524</u>	<u>\$ 23,888,389</u>	<u>\$ 21,364,878</u>	<u>\$ 20,621,978</u>
ALL OTHER GOVERNMENTAL FUNDS				
Committed for encumbrances	\$ -	\$ -	\$ -	\$ -
Restricted for debt service	2	779	816	541
Restricted for public safety/public works	3,976,623	4,242,741	3,876,604	4,115,408
Assigned, Reported in:				
Capital Project Funds	-	-	-	204,157
Unassigned, Reported in:				
Capital Project Funds	(863)	(463,948)	(261,183)	-
CARES Fund	-	-	(358,369)	-
Total All Other Governmental Funds	<u>\$ 3,975,762</u>	<u>\$ 3,779,572</u>	<u>\$ 3,257,868</u>	<u>\$ 4,320,106</u>

Source: City Finance Division, HdL, Coren & Cone, Comprehensive Annual Financial Report (2013-2022)

2018	2017	2016	2015	2014	2013
\$ 250	\$ 2,665	\$ 2,821	\$ 2,251	\$ 6,524	\$ 11,026
-	-	-	-	-	-
434,499	788,647	1,460,181	553,484	1,694,971	61,353
7,769,118	7,524,985	9,300,558	9,611,627	8,170,086	8,681,811
10,510,122	9,237,888	8,859,349	7,999,887	7,044,803	7,388,653
\$ 18,713,989	\$ 17,554,185	\$ 19,622,909	\$ 18,167,249	\$ 16,916,384	\$ 16,142,843
\$ -	\$ -	\$ -	\$ -	\$ 520,086	\$ 318,917
114	1,526,835	1,515,534	1,509,121	2,357,303	2,351,627
3,877,689	3,841,869	4,036,124	3,714,282	3,818,790	3,130,129
192,816	3,621	204,377	102,905	80,923	112,043
-	-	-	-	-	-
-	-	-	-	-	-
\$ 4,070,619	\$ 5,372,325	\$ 5,756,035	\$ 5,326,308	\$ 6,777,102	\$ 5,912,716

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES				
Taxes	\$ 17,138,141	\$ 16,094,154	\$ 14,702,782	\$ 14,808,178
Fees & Permits	2,120,009	1,926,093	1,768,147	1,832,117
Intergovernmental	6,274,181	6,654,963	3,746,966	3,401,017
Charges for Services	381,813	187,134	484,508	673,648
Investment Income (loss)	(231,678)	50,640	516,496	571,339
Fines, forfeits and penalties	211,525	218,946	216,076	169,305
Other	37,283	51,579	181,558	847,007
Total Revenues	<u>25,931,274</u>	<u>25,183,509</u>	<u>21,616,533</u>	<u>22,302,611</u>
EXPENDITURES				
Current:				
General Government	3,651,227	2,961,244	3,799,036	3,807,473
Building and Planning	1,592,214	1,441,307	1,142,984	1,203,090
Public Safety	10,471,622	10,197,832	10,080,372	9,776,922
Public Works	5,826,447	6,806,316	6,178,342	4,545,469
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	490,000	470,000	455,000	514,343
Interest	242,438	261,596	280,138	297,838
Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>22,273,948</u>	<u>22,138,295</u>	<u>21,935,872</u>	<u>20,145,135</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,657,326</u>	<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	5,296,675	3,155,585	4,618,477	3,467,646
Transfers Out	(5,296,675)	(3,155,585)	(4,618,477)	(3,467,646)
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>3,657,326</u>	<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>
Fund Balances, beginning of year	27,667,960	24,622,746	24,942,085	22,784,608
Fund Balances, end of year	<u>\$ 31,325,286</u>	<u>\$ 27,667,960</u>	<u>\$ 24,622,746</u>	<u>\$ 24,942,084</u>
DEBT SERVICE AS A PERCENTAGE OF				
NON CAPITAL EXPENDITURES	3.61%	3.88%	3.52%	4.12%

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

Source: City Finance Division, Comprehensive Annual Financial Report (2013-2022)

	2018	2017	2016	2015	2014	2013
\$	14,124,916	\$ 13,756,201	\$ 13,657,845	\$ 8,537,734	\$ 8,436,863	\$ 8,141,996
	2,156,495	2,557,778	2,196,437	2,043,835	2,556,767	2,396,719
	3,297,047	2,255,652	2,421,752	6,979,269	6,965,839	6,215,077
	691,596	747,230	747,093	652,998	666,155	805,971
	284,016	147,992	103,995	66,916	59,131	51,058
	138,224	142,914	163,463	198,883	173,246	194,812
	126,795	50,074	237,769	1,785,010	45,216	1,243,584
	<u>20,819,089</u>	<u>19,657,841</u>	<u>19,528,354</u>	<u>20,264,645</u>	<u>18,903,217</u>	<u>19,049,217</u>
	3,965,491	3,725,068	3,522,990	3,693,121	3,820,255	3,857,850
	1,132,872	1,078,723	1,150,918	993,466	1,048,181	1,096,348
	9,513,766	9,644,961	7,565,851	8,104,085	7,755,684	7,573,874
	4,765,369	5,825,294	4,508,164	5,060,120	3,627,789	3,435,804
	-	132,355	162,907	1,883,395	213,143	725,596
	1,268,655	1,372,536	385,000	370,000	430,000	315,000
	314,838	331,338	347,137	360,387	370,238	399,910
	-	-	-	-	-	236,018
	<u>20,960,991</u>	<u>22,110,275</u>	<u>17,642,967</u>	<u>20,464,574</u>	<u>17,265,290</u>	<u>17,640,400</u>
	(141,902)	(2,452,434)	1,885,387	(199,929)	1,637,927	1,408,817
	4,785,289	4,509,192	3,306,078	4,946,538	2,852,635	3,981,812
	(4,785,289)	(4,509,192)	(3,306,078)	(4,946,538)	(2,852,635)	(3,981,812)
	-	-	-	-	-	11,230,000
	-	-	-	-	-	571,905
	-	-	-	-	-	(11,544,227)
	-	-	-	-	-	257,678
	<u>(141,902)</u>	<u>(2,452,434)</u>	<u>1,885,387</u>	<u>(199,929)</u>	<u>1,637,927</u>	<u>1,666,494</u>
	22,926,510	25,378,944	23,493,557	23,693,486	22,055,559	20,389,065
\$	<u>22,784,608</u>	<u>\$ 22,926,510</u>	<u>\$ 25,378,944</u>	<u>\$ 23,493,557</u>	<u>\$ 23,693,486</u>	<u>\$ 22,055,559</u>
	7.83%	8.43%	4.68%	4.21%	4.73%	5.79%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Apparel Stores	*	\$ 10,422	\$ 7,175	\$ 9,306
General Merchandise	*	49,411	45,692	52,333
Food Stores	*	35,753	37,775	33,223
Eating & Drinking Places:	*	104,204	80,772	89,742
Building Materials	*	54,492	56,395	52,344
Auto Dealers & Supplies	*	205,431	160,883	168,304
Service Stations	*	73,748	44,527	56,547
Other Retail Stores	*	54,818	49,286	56,722
All Other Outlets	*	219,987	213,743	181,758
Total	*	<u>\$ 808,266</u>	<u>\$ 696,248</u>	<u>\$ 700,279</u>
City Direct Sales Tax Rate	7.75%	7.75%	7.75%	7.75%

*Data for fiscal year 2021-2022 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

2018	2017	2016	2015	2014	2013
\$ 9,406	\$ 9,559	\$ 9,789	\$ 9,995	\$ 9,956	\$ 10,214
55,233	55,115	56,266	56,123	56,412	58,021
32,783	32,031	30,292	29,617	28,610	27,339
87,592	84,814	80,401	76,447	72,917	70,242
51,234	52,316	48,525	45,725	44,599	41,166
172,048	166,057	147,347	140,507	131,433	130,666
53,476	46,999	43,453	50,918	59,997	61,242
64,805	66,487	71,033	74,800	69,736	69,733
175,297	156,902	173,667	151,242	140,433	130,267
\$ 701,874	\$ 670,280	\$ 660,773	\$ 635,374	\$ 614,093	\$ 598,890
7.75%	7.75%	8.0%	8.0%	8.0%	8.0%

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

Fiscal Year	Sales and Use Tax	Property Tax	Real Property Transfer	Total
2022	\$ 8,498,568	\$ 8,147,963	\$ 491,610	\$ 17,138,141
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

Source: City Finance Division, Comprehensive Annual Financial Report (2013-2022)

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Miscellaneous Property	Less: Tax-Exempt Property	Total Taxable Assessed Value (1)	Total Direct Rate
2022	\$ 7,980,662,567	\$ 677,842,083	\$ 571,837,248	\$ 242,800,810	-	9,473,142,708	2.98%
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%

(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)**

<u>Agency</u>	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>
Basic Levy^{1,5}	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00727	0.00756	0.00745	0.00786
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	0.02200	0.02336	0.02295	0.02392
Santa Margarita Water District	0.08710	0.09390	0.61040	0.62470
Total Direct & Overlapping² Tax Rates	1.12337	1.13182	1.64780	1.66348
City's Share of 1% Levy Per Prop 13³	0.02978	0.02978	0.02978	0.02978
Total Direct Rate^{4,6}	0.02979	0.02980	0.02976	0.02976

Notes:

¹In 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.

²Overlapping 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.

³City'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.

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

⁵Under Article IXXXXA 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.

⁶This tax rate does not include any Mello-Roos tax or special assessments.

Source: Orange County Assessor 2012/13 - 2021/22 Tax Rate Table

<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00800	0.00843	0.00845	0.00900	0.00972	0.01171
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.02365	0.02688	0.03008	0.02806	0.03207	0.03265
0.85900	0.88660	1.18070	2.05440	2.35710	4.67620
1.89765	1.92891	2.22623	3.09846	3.40589	5.72756
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**

Taxpayer	2021/22			2012/13		
	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank
Applied Medical Reso. Corp	\$ 260,739,949	2.75%	1	\$ 167,047,498	2.50%	1
El Prado LLC	83,182,791	0.88%	2	71,699,621	1.07%	2
BEX Portfolio Inc*	73,161,260	0.77%	3	46,339,687	0.69%	4
Plaza El Paseo Center, LLC	60,510,140	0.64%	4			
Villa La Paz Partners LP	44,127,096	0.47%	5	37,690,263	0.56%	5
RSM Antonio Associates	39,838,463	0.42%	6			
EQR-Skyview LP	38,766,756	0.41%	7			
CPI-GREP AA-Buena Vida Owner LLP	36,504,787	0.39%	8			
Cox Communications	32,958,844	0.35%	9	56,625,792	0.85%	3
VR RSM Two LLC	32,630,432	0.34%	10			
FG Rancho Santa Margarita LP				24,566,901	0.37%	9
KRC Santa Margarita**				25,558,620	0.38%	7
Antonio Acquisition Company				35,221,601	0.53%	6
Crescent LP				24,846,858	0.37%	8
California Dove Canyon LLC				23,225,380	0.35%	10
Totals	<u>\$ 702,420,518</u>	<u>7.42%</u>		<u>\$ 512,822,221</u>	<u>7.68%</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**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2022	\$ 2,741,543	\$ 2,695,731	98.33%	\$ 19,618	\$ 2,721,800	99.28%
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%

Source: O.C. Auditor-controller, City Finance Division, Comprehensive Annual Financial Report (2013-2022)

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

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Total Governmental Activities	As % of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
2022	\$ -	\$ 7,688,186	-	\$ 7,688,186	0.31%	162.61
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

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

⁽²⁾ 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**

Fiscal Year	Population	Total General Obligation Bonds	Less Debt Service Fund ⁽¹⁾	Net Bonded Debt	Percent of Debt to Assessed Value⁽²⁾	Debt per Capita
2022	47,279	-	-	-	0.00%	-
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%	-

⁽¹⁾ Amounts available for repayment of general obligation bonds.

⁽²⁾ 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, 2022**

	<u>Rate Only Applies to</u>	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable to City</u>	<u>Net Bonded Debt</u>
Direct Debt				
A65.01 City of RSM Public Financing Authority		\$ 7,865,000	100.000%	\$ 7,375,000
A65.01 City Hall and Community Center		\$ 340,421	100.000%	\$ 313,187
Total Direct Debt				7,688,187
Overlapping Debt				
628.01 Capistrano Unified SFID#1 1999 Bond#2002C		9,806,200	1.278%	125,348
629.01 Capistrano Unified SFID#1 1999 Bond#2001B		3,450,244	1.278%	44,103
6AB.01 Saddleback Valley USD 2004 Bond#2004A		14,520,000	13.135%	1,907,241
6AW.01 Saddleback Valley USD 2004 Series B		24,605,000	13.135%	3,231,933
6CZ.01 Saddleback Valley USD 20113 REF		44,660,000	13.135%	5,866,211
6DK.01 Saddleback Valley USD GOB EL 2014, Series 2016A		8,255,000	13.135%	1,084,316
*C55.14 Metropolitan Water District		4,052,114	1.392%	56,415
C76.56 Santa Margarita Water ID#4-Bond 1978 Bond	Land	18,490,000	100.000%	18,490,000
C76.58 Santa Margarita Water ID#3-Bond 1978 Bond	Land	2,800,000	99.883%	2,796,734
C76.61 Santa Margarita Water ID#4B-Bond 1984 Bond	Land	6,090,000	0.466%	28,407
Total Overlapping Debt				33,630,708
Total Direct and Overlapping Debt				\$ 41,318,895

2021/22 Assessed Valuation: \$9,473,142,708 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 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assessed Valuation	\$ 9,777,605,219	\$ 9,540,829,358	\$ 9,234,200,835	\$ 8,641,623,471
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 2,444,401,305	\$ 2,385,207,340	\$ 2,308,550,209	\$ 2,160,405,868
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 366,660,196	\$ 357,781,101	\$ 346,282,531	\$ 324,060,880
Total Net Debt Applicable to Limit: General Obligation Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 366,660,196</u>	<u>\$ 357,781,101</u>	<u>\$ 346,282,531</u>	<u>\$ 324,060,880</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 8,247,807,523	\$ 7,872,062,542	\$ 7,572,054,981	\$ 7,230,177,009	\$ 6,765,168,304	\$ 6,679,223,387
25%	25%	25%	25%	25%	25%
\$ 2,061,951,881	\$ 1,968,015,636	\$ 1,893,013,745	\$ 1,807,544,252	\$ 1,691,292,076	\$ 1,669,805,847
15%	15%	15%	15%	15%	15%
\$ 309,292,782	\$ 295,202,345	\$ 283,952,062	\$ 271,131,638	\$ 253,693,811	\$ 250,470,877
-	-	-	-	-	-
<u>\$ 309,292,782</u>	<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>
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**

Fiscal Year	Population	Personal Income ⁽¹⁾ (in thousands)	Per Capita Personal Income	Median Income per Household	Median Age	School Enrollment	Unemployment Rate
2022	47,279	\$ 2,607,727	\$ 55,156	\$ 125,329	39.2	7,423	2.80%
2021	48,183	\$ 2,622,350	\$ 54,424	\$ 121,017	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%

(1) Estimated for 2022

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**

Employer	2022		2013	
	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
City Manager Full-Time	3.50	3.50	3.50	3.00	3.00	3.00	3.00	2.50	1.50	2.00
City Clerk Full-Time	2.00	2.00	2.00	2.50	2.50	2.80	2.80	2.80	3.40	2.80
Human Resources Full-Time	1.00	1.00	1.00	1.20	1.20	1.00	2.00	2.00	2.00	1.25
Finance Full-Time	4.60	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
Bldg./Planning Full-time	6.00	6.00	6.00	5.60	5.60	5.60	5.60	5.60	3.85	3.00
Engr./Pub. Works Full-Time	5.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	3.50	3.00
Comm. Services Full-Time	7.07	6.66	2.51	6.40	6.40	6.40	6.40	6.40	6.37	6.25
Total	29.17	27.46	23.31	27.00	27.00	27.10	29.10	28.60	25.20	24.10

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 2021-2022

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

FUNCTION	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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 Park	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Splash Pad at Central Park	1	-	-	-	-	-	-	-	-	-

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

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

FUNCTION	2022	2021	2020	2019
General Government				
Financial Reports & Audits Completed	138	141	132	121
Checks/Wire Transfers	2,400	2,407	2,396	2,576
Police Services				
Physical Arrests	187	165	202	292
Parking Citations	1,415	1,320	1,261	1,601
Traffic Citations	2,068	1,366	1,590	1,951
Public Works				
Street Paving (miles)	9.78	8.50	11.63	11.05
Sidewalks replaced (sq. ft.)	3,644	5,235	5,050	7,513
Curb refurbished (linear feet)	40	73	33	42
Traffic signs replaced/installed	220	460	216	459
Pavement Condition Index (70 = min. acceptable)	83.2	83.8	85.4	83.2
Building and Planning				
Building Permits Issued	1,855	1,675	1,396	1,499
Building Inspections Completed	4,414	4,031	3,361	3,641
Plan Checks Performed	1,337	1,023	817	193
Community Services				
Recreational & Instructional Classes Offered	200	100	500	825
Senior Mobility Rides	350	325	417	782
Community Events Attendance	20,000	200	20,000	20,000
Community Magazine Publications	3	-	2	3

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

2018	2017	2016	2015	2014	2013
220	109	111	106	117	62
2,535	1,654	1,482	1,670	1,768	1,713
326	327	282	329	377	766
1,689	1,722	1,502	1,365	1,042	1,516
188	143	136	402	1,469	1,026
26.53	8.44	8.07	9.45	23.00	92.00
270	7,225	6,358	10,832	4,809	-
21	300	24,953	14,953	280	13,351
571	353	322	337	262	291
82.5	78.6	81.6	81.5	81.5	78.5
1,572	1,538	1,671	1,279	1,051	1,145
3,432	3,048	3,422	2,515	2,278	2,140
285	337	413	328	279	263
825	825	825	825	775	773
335	300	990	989	939	1,171
21,000	20,000	19,000	18,000	18,000	18,000
3	3	3	3	3	3

**City of Rancho Santa Margarita
Miscellaneous Statistics
June 30, 2022**

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:	47,279
Area in square miles:	13
Form of Government:	Council-Manager
Date of Incorporation:	January 1, 2000
Number of Full Time Employees:	23
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