

City of  
Rancho Santa Margarita,  
California



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ending June 30, 2023



# Annual Comprehensive Financial Report

*For the Year Ended June 30, 2023*

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*Finance Division*

*City of Rancho Santa Margarita, California*

# City Council



Jerry Holloway  
Mayor



Carol A. Gamble  
Mayor Pro Tempore



L. Anthony Beall  
Council Member



Anne D. Figueroa  
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, 2023**

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# Introductory Section

*Rancho Santa Margarita, California*





# CITY OF RANCHO SANTA MARGARITA

22112 El Paseo • Rancho Santa Margarita • California 92688-2824  
949.635.1800 • fax 949.635.1840 • [www.cityofrsm.org](http://www.cityofrsm.org)

December 11, 2023

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Rancho Santa Margarita:

It is with great pleasure that we present to you the City of Rancho Santa Margarita's Annual Comprehensive Financial Report (ACFR) for fiscal year 2022-23. The report has been prepared by the Finance Department in conformity with Generally Accepted Accounting Principles (GAAP) and has been audited in accordance with Generally Accepted Auditing Standards (GAAS) by Davis Farr LLP, certified public accountants.

The report consists of management representations concerning the finances of the City. Therefore, 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 fairly present the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

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.

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

<b>Mayor</b> Jerry Holloway	<b>Mayor Pro Tempore</b> Carol A. Gamble	<b>Council Member</b> L. Anthony Beall	<b>Council Member</b> Anne D. Figueroa	<b>Council Member</b> Bradley J. McGirr	<b>City Manager</b> Jennifer M. Cervantez
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The auditor's report is presented as the first component of the financial section of this report.

This ACFR includes the financial activity for all funds of the City. In addition to the fund-by-fund financial information presented in the City's financial statements, government-wide financial statements are also included. 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 shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting whereas the fund financial statements were prepared using the modified accrual method. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the Statement 34 standard 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 (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and explaining changes, fluctuations, and variances in the financial data. Furthermore, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City. This letter of transmittal is designed to complement the MD&A.

In prior fiscal years and most recently in 2023, the City performed a condition assessment of the pavement subsystem, which is required every two years for Measure M2 transportation funding eligibility, and every three years for financial reporting purposes. The assessment affirmed that these infrastructure assets are above the minimum condition level established by the government. There were no new GASB standards implemented for the current fiscal year. The ACFR for fiscal year ended June 30, 2023 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.

## PROFILE OF THE CITY

The City of Rancho Santa Margarita was incorporated on January 1, 2000, as a general law city under the laws of the State of California. The City is distinguished by its high-end residential neighborhoods and small town charm. The City of Rancho Santa Margarita encompasses approximately 13 square miles in south Orange County and has a population of 47,066 per data provided by the California Department of Finance (DOF). Approximately 58 miles southeast of Los Angeles and 76 miles north of San Diego, the City is adjacent to the cities of Mission Viejo, Lake Forest, Aliso Viejo, and Laguna Hills.

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. The Rancho Santa Margarita Landscape and Recreation Corporation (SAMLARC) is the Master Homeowners Association in Rancho Santa Margarita. SAMLARC's amenities include Lago Santa Margarita; the lively Beach Club and Lagoon; four Jr. Olympic-sized pools; 13 parks with playgrounds, picnic areas, and sports facilities; and an urban trail system. The Orange County Library System provides public library services.

The City operates under the Council-Manager form of government. The City Council is comprised of five members elected at large for staggered four-year terms of office. The Mayor and Mayor Pro-Tem are selected by the Council from among its members to serve one-year terms. The Council acts as the legislative and policy-making body of the City, enacting all laws and directing such actions as required to provide for the general welfare of the community.

The City is financially accountable for the Rancho Santa Margarita Public Financing Authority (PFA). The PFA was formed on October 15, 2012 as a joint powers authority in order to facilitate the refunding of the Rancho Santa Margarita Nonprofit Corporation 2003 Certificate of Participation bonds and financing the construction of various public road improvements within the City, and other such projects identified in the City's capital improvement plan referred to as 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. Additional information on this legally separate entity can be found in Note 1 to the basic financial statements.

The City Manager is appointed by the City Council and is responsible for overseeing the operations of the City and implementing the policy decisions made by the City Council. The City Manager is also designated as the City Treasurer pursuant to the Rancho Santa Margarita Municipal Code. The City Attorney is appointed by the City Council, while all other department heads and employees are appointed by the City Manager.

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.

Public Safety continues to be a top priority of the City Council. Based on the Federal Bureau of Investigation's (FBI) previous Uniform Crime Reporting (UCR) database, and the newly established National Incident-Based Reporting System (NIBRS), 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 NIBRS report distributed in 2021 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. According to Moving Waldo, a city ranking firm, the City of Rancho Santa Margarita was ranked as the safest city in the entire State of California, with the lowest violent and property crime rate (per capita) of any city in the State. The 2022 crime statistics from the California Department of Justice (DOJ) indicated lower crime rates for both violent and property crimes compared to the previous year. Based on the statistical crime data and current trends, Rancho Santa Margarita Police Services' deployment model is well positioned to adapt to California's rapidly evolving criminal justice system.

The City's Community Services Department is consistently exploring methods to foster deeper connections with the residents of Rancho Santa Margarita. The Bell Tower Regional Community Center serves as a focal point for a broad array of intergenerational recreational programs with

which the community can engage. Local festivities hold a prominent position in the endeavors of the Community Services Department. Such events are pivotal in strengthening the ties between the community and our local governance. Newly introduced events like the Splash Pad Opening Day and the Rec Expo have been added to the special events calendar, complementing long-standing favorites like the Summer Concert Series and the New Year's Eve Event. A significant aspect of the department's work is its dedication to honoring those who serve our country. This commitment is reflected in the Patriot Day Commemoration, Flag Day, and Veterans Day. Furthermore, the department is deeply invested in supporting our adopted 2<sup>nd</sup> Battalion, 5<sup>th</sup> Marines, underscoring our appreciation and respect for their sacrifices and service. The City's collaboration with local businesses and institutions will persist as the driving force behind the Community Services Department's commitment to excellence. The overarching goal of the Community Services Department remains clear: to uplift the quality of life for all community residents.

The annual budgets for both Fiscal Year 2022 and 2023 were adopted by the City Council at a public hearing, following the budget development study sessions. The annual budget serves as the foundation for the City's financial planning and control. Activities of the General, Special Revenue, Debt Service and Capital Projects Funds are included in the annual appropriated budget. The budget is arranged by fund, division, and department and presented to the Council by the City Manager. 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 level of budgetary control is established at the fund level. Transfers of appropriations within fund budgets can be made with the approval of the City Manager. The City Council's approval is required for all budget amendments that result in a change to fund balances. An Interim update of budgetary performance and variance analysis are completed at midyear in January by the City Manager and the Finance Director to ensure compliance with City Council direction. The midyear budget update is intended to provide additional support to 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.

The City maintains an encumbrance accounting system as an additional method of accomplishing internal budgetary control. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

## ECONOMIC CONDITION AND OUTLOOK

Information presented in the City's financial statements is best understood within the context of our broader economic conditions. For the fiscal year ended June 30, 2023, 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 2022/23 funded all services by utilizing operating revenues, as well as, the use of American Rescue Plan Act (ARPA) funds towards qualifying expenditures. Sales, motor vehicle in-lieu, and property taxes made up approximately 76% of the City's general fund revenues and reflects the importance of the City's local community and its businesses.

Although the economic forecasts are fairly positive, there are still areas of uncertainty, particularly with respect to impacts of inflation on the economy and any possible recessionary impacts. Based on these assumptions, there has been some shift of disposable income spent toward non-taxable services and activities. Although online sales tax revenues remained a strong component of the City's sales tax revenue for most of the fiscal year, the change to the pool allocation method has begun to have an impact on the City's allocation. The City experienced a decrease in pool revenues as new in-state distribution centers are shifting sales tax from the countywide pools to those local agencies with online fulfillment centers. Another industry effected by the current economy was Fuel and Service Stations reflecting a reduction in demand both currently and in the future. However, for the City of Rancho Santa Margarita, the make-up of the businesses and the response from our residents to shop and dine local has allowed sales tax revenues to continue to thrive.

Experts vary on whether a recession will occur and to what extent as unemployment rates remain a key indicator of whether this adverse economic situation will occur. The Beacon Economic forecast stated that today's economy is fragile and highly susceptible to further negative shock; however, they don't view a recession as a foregone conclusion. They do however acknowledge that certain choices by state policymakers could have a direct impact on which direction the economy takes. Economic indicators at the local level generally follow national and state trends. In October 2022, California's economy reached a milestone having finally recovered all jobs that were lost during the outset of the pandemic. However, California reached this milestone more slowly than other states because it is experiencing a labor shortage. Although this is good news, the recovery has been uneven amongst the counties, with Orange County lagging slightly.

Housing affordability in Orange County continues to be a concern as Orange County median home prices are approximately \$1 million along with rising interest rates. As interest rates increased over the last year, Southern California saw a decline in home sales, as well as median home prices. It is anticipated that home price growth will continue to decline in the coming months, culminating in a year-over-year decrease by fall 2023 as the housing market continues to normalize. On the flip side, due to low supply of homes in Orange County, there may not be as significant of a decrease in home prices over the coming year. Therefore, when it comes to forecasting home prices and the number of homes sold, it will vary by on the county and the city. However, California as a whole experienced a slight increase in December's home sales as buyers and sellers adapt to this new environment and shift towards a more balanced market. Economic impacts to property tax tend to lag as the property tax roll is assessed and billed in arrears. Although the annual CPI adjustment was reduced in FY 2021/22 to 1.036%, it had been set at the maximum 2% in FY 2022/23. The CPI for FY 2023/24 has again been set at the maximum 2%.

## LOCAL ECONOMY

Although California's unemployment rate was estimated at 4.9% in September 2023, Orange County's rate has been consistently lower and was estimated at 3.74% according to the latest available data by the California Employment Development Department. Rancho Santa Margarita is comprised of a of a wide range of residential uses alongside nine commercial shopping centers and a 270 acre business park, providing a solid tax base for the City. Most of the retail and commercial uses are oriented toward serving residents, while the business park provides a valuable employment center. The City is home to several corporate headquarters, and has a strong medical device manufacturing presence. The dynamic mix of local businesses has shown strong recovery

following the Pandemic as evidenced by the low retail vacancy rate. The City is built-out, however, based on the latest General Plan and Housing Element updates, new opportunities for residential and mixed-use development have been identified.

The City's major revenue sources are property and sales tax which made up approximately 76% of the City's general revenues. The City also receives significant revenue through property tax in-lieu of motor vehicle fees, which are apportioned similarly to property taxes. General fund revenues for FY 2022/23 totaled \$22.8 million, compared to \$22.3 million in the prior year. The increase is attributable to growth in property tax and higher investment income as a result of interest rate adjustments by the Federal government in an attempt to address inflation.

The City adopted a balanced budget for FY 2022/23 using both operational revenues and federal funds from ARPA. General Fund revenues were estimated to total \$21.7 million, which included \$500,000 in ARPA funds. Expenditures totaled \$23.2 million and provided funding to maintain service levels, as well as, provide excellent service and quality programs to the community. Overall, the City ended the fiscal year with a surplus due to a conservative and fiscally responsible budget, as well as, an increase in investment income that was not anticipated during the preparation of the FY 2022/23 budget.

## LONG TERM FINANCIAL PLANNING

As of June 30, 2023, the City has a General Fund balance of \$30 million. The balance includes \$12.7 for Council Strategic, \$1.98 million for Information Technology, \$1 million for the planned pay down of the City's CalPERS Unfunded Accrued Liability, as well as, \$2.3 million assigned to Facilities, Vehicles, and Infrastructure. Infrastructure is linked to the City's property insurance self-insured retention (SIR), which was based on five City-owned structures. The unassigned fund balance is \$12 million and has been established for emergencies.

Since City incorporation, the City Council has taken a fiscally responsible approach in developing and 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 an unforeseen emergency. In coordination with staff, consultants, and other government agencies, the FY 2022/23 budget was prepared with a positive operating surplus using the best estimates and knowledge of the current financial climate. The FY 2022/23 budget provides funding to maintain service levels, as well as, provide excellent service and quality programs to the community. 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.

## RELEVANT FINANCIAL POLICIES AND PLANS

### *Reserve 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. In FY 2022/23, the

City Council updated and approved revisions to the City's Reserves Policy. Some of the Reserve Policy revisions included the addition of a CalPERS Unfunded Accrued Liability (UAL) category, emergency reserves have been set at 40% of the total annual General fund balance, changes to certain reserve category descriptions, as well as other updates in order to provide better direction and understanding of the policy. City Council also approved the reallocation of the City's FY 2021/22 fund balance based on the approved changes to the reserve categories, as well as, an updated 10-Year Target 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, CalPERS UAL, Technology, Facilities, Vehicles, Infrastructure and Emergency.

#### *CalPERS Pay-down Plan*

The City of Rancho Santa Margarita, much like the other cities throughout California, has a CalPERS Unfunded Accrued Liability (UAL). The City's UAL is very low in comparison to other cities, and the City has been able to accommodate the annual payments each budget cycle. However, with the drastic changes in CalPERS investment earnings over the last two years, the option to determine a strategy to pay down the liability became desirable as it would reduce interest payments and free up funding for other types of operational expenditures, as determined by Council through the annual budget process. The City Council approved a UAL pay-down plan in May 2023. The plan establishes a fixed annual payment toward the City's outstanding UAL balance over five years beginning in FY 2023/24 which would equate to a funded ratio of 85% in year five. The use of General Fund reserves has been designated and a separate reserve category has been established with the necessary funding.

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

It is the City's goal to have a well-documented user fee structure that is based on a legally defensible methodology for calculating and establishing the City's development processing fees and other City rates, charges, and user fees, which will incorporate all direct and indirect costs of providing the services and will be compliant with applicable law, including the Mitigation Fee Act (Government Code §66000 et seq.). In order to capture the actual costs of providing services, the City retained NBS Government Finance Group (NBS), to prepare a full-cost allocation plan and to perform a comprehensive study of all City development processing fees and other City rates, charges, and user fees for various governmental services. The updated Master Fee Schedule was approved by City Council on May 10, 2017 and became effective on July 10, 2017. The City has the ability to increase fees annually based on CPI. The most recent adjustment to the user fees was a 5.09% increase approved by City Council on April 26, 2023 to be effective July 1, 2023.

### MAJOR INITIATIVES

#### *Capital Improvement Projects*

FY 2022/23 Capital Improvement Plan budget included twenty-three proposed projects, totaling \$6.13 million. These projects are designed to provide maintenance to the roadway network, including sidewalk repair and pavement rehabilitation, and overall improvements to the aesthetics of the City. Other projects include signal and equipment upgrades and enhancements and

maintenance, as well as, traffic calming projects. Both Federal Community Development Block Grant (CDBG) funds, as well as, Gas Tax funds were used for ADA Improvements in an effort to increase the number of sites throughout the City. ARPA funds were used toward upgrades of the HVAC system at both City Hall and the Bell Tower Regional Community Center (BTRCC). Additional facility projects included the sealcoating of the parking lots, the initial phase of the building access card system upgrades, and the interior LED lighting conversion projects. The City is also currently in the design phase for both the SMP Bridge (Eastbound) and the Antonio Parkway Bridge preventative maintenance projects.

### *Economic Development*

The City's Economic Development function, within the Development Services department, continued ongoing initiatives aimed at facilitating the retention and expansion of existing businesses, attracting new businesses to the community, and promoting the City's business friendly environment.

### *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 2023 and public hearings and adoption of the Rezoning Program are expected in early 2024.

### *Circulation Element Update*

The Circulation Element is the final element in the comprehensive General Plan Update. An RFP for a circulation element consultant was issued in June, and a contract with the selected consultant, Kittleson & Associates, was approved by the City Council in August. Work on the update began in September and will continue throughout 2024 with anticipated adoption of the Circulation Element Update no later than January 2025.

### *Local Hazard Mitigation Plan Update*

The City's FEMA-approved Local Hazard Mitigation Plan is due to be updated in 2024. Staff has submitted an application for funding to Cal OES and is awaiting award. In January 2024, staff will issue an RFP for a consultant to prepare the update, with a schedule to submit the document to FEMA by October, 2024.

## AWARDS AND ACKNOWLEDGEMENTS

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, 2022. 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-second 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, 2023.

The preparation and publication of the of the Annual Comprehensive Financial Report is a team effort, requiring the dedication and cooperation of the entire Finance Department staff and the City's independent auditors, Davis Farr LLP. Each member of the staff has my sincere appreciation for their contributions made in the preparation of this report.

In closing, I would also like to express my appreciation to the City Council for their leadership and support, and for their continuing efforts to maintain the City's fiscal health.

Respectfully submitted,



Jennifer M. Cervantez  
City Manager

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Rancho Santa Margarita  
California**

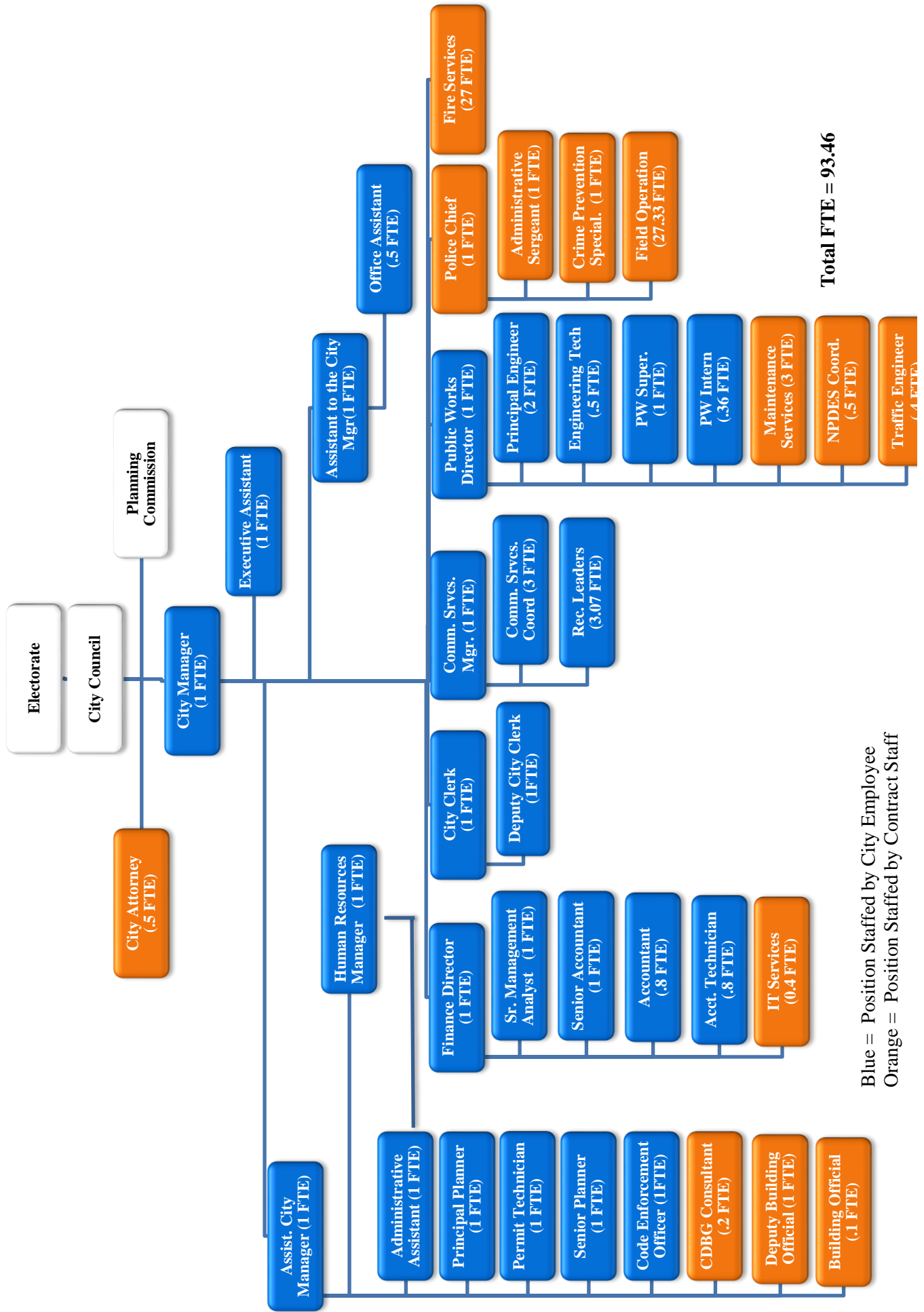
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

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



**Total FTE = 93.46**

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

JERRY HOLLOWAY  
Mayor

CAROL A. GAMBLE  
Mayor Pro Tempore

L. ANTHONY BEALL  
Council Member

ANNE D. FIGUEROA  
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 Manager  
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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December

15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 11, 2023 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.



Irvine, California  
December 11, 2023

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# Management 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, 2023. 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, 2023, by \$138.4 million (*net position*). Of this amount, \$28.0 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Legal and contractual obligations restrict \$3.4 million of net position for specific City programs. Investment in capital assets totals \$107.0 million.
- The government's total net position increased by \$1.9 million during the fiscal year ended June 30, 2023. Revenues increased by \$.96 million. The "Other" revenue increased by \$0.029 million due to both an increase in sponsorship revenues and reimbursement for a damage claim on a police motorcycle. Sponsorship revenue reflected a significant increase due to the BTRCC being fully open and operational in FY 22/23. However, Sales Tax decreased by \$0.12 million as consumer spending became more cautious with the uncertainty of a recession. Also, toward the second half of the fiscal year, the City experienced a decrease in sales tax revenues, as new in-state distribution centers shifted sales tax from the countywide pools to those local agencies with online fulfillment centers. Property tax revenue, including Property Tax in lieu of VLF, and Property Transfer Tax revenue, increased \$0.31 million; fees and intergovernmental revenue was slightly up from year to year; operating grants and contributions decreased \$0.40 million; however, investment revenue increased significantly by \$0.87 million due to interest rate adjustments by the Federal government to address inflation. Capital grants and contributions reflect a slight decrease of \$.06 million, while charges for services experienced an increase of \$0.20 million. The increase from the prior year in total government expenses is \$3.07 million which stems from an increase in expenditures related to the BTRCC being fully operational, and an increase in planned capital projects toward overlay projects, ADA curb ramp installations, and replacement of the HVAC system at City Hall and the BTRCC.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$33.6 million, an increase of \$2.3 million in comparison with the prior year. Approximately 10.5 percent, or \$3.5 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*), and 88.5

percent, or \$30.1 million is available for other spending purposes at the City Council's discretion (*assigned, unassigned fund balance*).

- At June 30, 2023, the City's General Fund totaled \$30.0 million. Of the total fund balance, \$0.112 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$17.9 million and unassigned fund balance of \$12.0 million. This portion of General Fund totaled \$30.0 million, which equaled 148 percent of total General Fund expenditures including transfers out for the fiscal year ended June 30, 2023. Although available, the City Council has classified this \$29.9 million for specific purposes, including emergencies.
- The City's total long-term liabilities increased by \$.96 million (9.74 percent) during the current fiscal year. This increase is the net effect of the payment made for principal retirement on Lease Revenue Refunding Bonds in October 2022, and a significant increase in pension liability with an offsetting decrease 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 (77 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, 2023 and 2022  
(in thousands)

	<b>Governmental</b>	
	<b>Activities</b>	
	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Current and other assets	\$ 38,568	\$ 37,600
Capital assets	<u>113,899</u>	<u>114,264</u>
Total assets	<u>152,467</u>	<u>151,864</u>
 <b>Deferred Outflows of Resources:</b>	 <u>1,802</u>	 <u>1,266</u>
 <b>Liabilities:</b>		
Long-term liabilities	10,777	9,820
Other liabilities	<u>4,941</u>	<u>6,006</u>
Total liabilities	<u>15,718</u>	<u>15,826</u>
 <b>Deferred Inflows of Resources:</b>	 <u>112</u>	 <u>732</u>
 <b>Net Position:</b>		
Net investment in capital assets	106,993	106,849
Restricted	3,412	3,977
Unrestricted	28,034	25,746
Total net position	<u>\$ 138,439</u>	<u>\$ 136,572</u>

During the fiscal year ended June 30, 2023, net position of the City increased 1.4 percent to \$138.4 million, of which \$107.0 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$3.4 million is restricted for fulfillment of specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$28.0 million, an increase of 8.89 percent from the prior year total of \$25.7 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, 2023 and 2022  
(in thousands)

	<b>Governmental</b>	
	<b>Activities</b>	
	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 1,474	\$ 1,270
Operating grants and contributions	5,099	4,904
Capital grants and contributions	262	910
General revenues:		
Property taxes	8,953	8,640
Sales taxes	8,375	8,499
Fees and intergovernmental	1,704	1,577
Other revenues	66	37
Investment revenue (loss)	636	(232)
Total revenues	<u>26,569</u>	<u>25,605</u>
<b>Expenses</b>		
General government	4,359	3,272
Building and planning	1,047	1,549
Public safety	10,958	10,472
Public works	8,122	6,106
Interest expense	216	236
Total expenses	<u>24,702</u>	<u>21,635</u>
Excess (deficit) of revenues over expenses	<u>1,867</u>	<u>3,970</u>
<b>Increase (Decrease) in net position</b>	1,867	3,970
Beginning net position	<u>136,572</u>	<u>132,602</u>
Ending net position	<u>\$ 138,439</u>	<u>\$ 136,572</u>

Overall, Citywide revenues for the fiscal year ended June 30, 2023 increased by \$.96 million a 3.7 percent increase over the prior year. Property tax revenue increased by \$0.31 million and sales tax revenue decreased by \$0.12 million due to consumers concerns regarding inflation, causing economic uncertainty, as well as, a shift in countywide pools sales tax revenues to agencies with local fulfillment centers. Other revenue increased by \$0.029 million due to an increase in both sponsorship revenues and higher claim reimbursements compared to the prior year. Investment revenue increased by \$.87 million due to interest rate adjustments by the Federal government to address inflation.

- Total program revenues of \$6.8 million were 26 percent of total revenues.
- Total general revenues of \$19.7 million were 74 percent of total revenues.

Total related expenses increased by \$3.07 million, a 14.2 percent increase from the prior year. Public Works expenses, which account for 33 percent of the total expenses, were used for street renovation and repair projects throughout the City, traffic signal equipment upgrades and enhancements, second year of the required five year maintenance plan on the Santa Margarita Parkway Bridge Hinge Repair project, as well as, improvements to both City Hall and the BTRCC, including a new HVAC system and entryway sliding doors. Public Safety expenses accounted for 44 percent of total current expenses. General Government expenses account for 18 percent of total expenses, which is a relatively flat compared to the prior year. The overall increase in expenses stems from increased costs throughout the City due to inflationary pricing as well as increased cost within Community Services. The increase in Community Services stems from the BTRCC being fully operational and able to offer programs, events, and rentals the entire fiscal year, as well as, a significant increase in senior taxi service program ridership.

## **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, 2023, the City's governmental funds reported total combined ending fund balances of \$33.6 million, an increase of \$2.31 million from the prior year. Approximately 54 percent of the City's governmental funds ending fund balances, or \$18.1 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 36 percent of the City's governmental funds ending fund balances, or \$12 million, constitutes *unassigned fund balance*, which is available for spending at the government's direction. *Restricted fund balance* of \$3.4 million, or 10.1 percent is available to: 1) pay debt service and 2) use for specific purposes as required by special revenue funds (\$3.41 million). The remainder of fund balance, \$0.112 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, 2023, assigned fund balance was \$17.9 million and unassigned fund balance of the general fund was \$12 million, while total fund balance was \$30.0 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 59.4 percent of the total General Fund expenditures including transfers. As mentioned above, however, the City Council has classified the assigned fund balance \$17.9 million for specified purposes.

**City of Rancho Santa Margarita**  
**Summary of Changes in Fund Balances - General Fund**  
For the Year Ended June 30, 2023 and 2022  
(in thousands)

	2023	2022
<b>Revenues</b>		
Taxes	\$ 17,328	\$ 17,138
Fees and permits	2,304	2,120
Intergovernmental	715	659
Charges for service	561	382
Investment income (loss)	523	(198)
Fines, forfeits and penalties	181	212
Other	66	37
Total revenues	21,678	20,350
<b>Expenditures</b>		
General government	4,052	3,571
Building and planning	1,667	1,568
Public safety	10,822	10,325
Public works	2,554	2,381
Total expenditures	19,095	17,845
Excess (Deficit) of revenues over expenditures	2,583	2,505
Net transfers	116	956
<b>Increase in Fund Balance</b>	<b>\$ 2,699</b>	<b>\$ 3,461</b>

For the fiscal year ended June 30, 2023, the cash and investments balance in the General Fund was \$28.6 million, an increase of \$2.3 million compared to the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2023 increased by \$1.33 million, or 6.53 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 \$0.31 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 \$5.5 million of the \$17.3 million in overall taxes category.

- Sales tax revenues decreased \$0.12 million, to \$8.4 million, as consumers took on a more cautious approach to spending due to the uncertainty of a potential recession. Also, toward the second half of the fiscal year, the City experienced a decrease in sales tax revenues, as new in-state distribution centers shifted sales tax from the countywide pools to those local agencies with online fulfillment centers.
- Other revenue increased by \$0.029 million, to \$0.066 million, mostly due to higher claim reimbursements, and an increase in sponsorship funding due to the BTRCC being able to fully reopen in FY 22/23,
- Investment Revenue increased by \$.721 million due to rate adjustments by the Federal government in an effort to address inflation.

Changes in General Fund expenditures, by function, occurred as follows during the year ended June 30, 2023:

- General government expenditures increased by 13.5 percent to \$4.1 million from the prior year expenditures. The increase in General Government reflects higher expenditures due to inflationary pricing throughout the City departments. The largest increase of expenditures was again in Community Services Departments stemming from BTRCC being fully operational and able to restore programs and services to pre-pandemic levels. Due to the removal of COVID-19 restrictions, Community Services also experienced a significant increase in ridership within the senior taxi service program which is funded through the Senior Mobility Program Grant. The taxi service program had been dormant over the last couple years.
- Public safety expenditures increased by \$.50 million to \$10.8 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, and an overall increase in operational expenditures, including fuel and equipment maintenance. The City's Animal Control costs reflect a slight increase due to capital purchases. Public safety expenditures were 57 percent of total General Fund expenditures.
- Public works expenditures increased by \$0.173 million, to \$2.5 million, due to the net effect of the Public Works administration experienced higher costs in the area of Traffic Engineering, as well as, there was a decrease in staff time charged directly to various capital improvement projects in the CIP fund. 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 BTRCC being fully operational and open to the public, as well as, an increase in utility costs due to higher utility rates.
- Building and planning expenditures increased by \$0.10 million, to \$1.67 million, primarily due to costs associated with the initial phase of the Housing Element Rezoning Program, Objective Development Standards, and related environmental review. Building costs were higher due to an increase in home improvement projects throughout the year; however, these costs were offset by an increase in building permit and fee revenue.

### **General Fund Budgetary Highlights**

Differences between the General Fund expenditures/transfers out and the final amended budget were \$2.05 million and can be briefly summarized as follows:

- \$0.46 million in decreases allocated to general government activities.
- \$0.05 million in decreases allocated to building and planning activities.
- \$0.21 million in decreases allocated to public works activities
- \$0.75 million in decreases for public safety activities.
- \$0.58 million in decreases for transfers to other funds.

These overall decreases can be attributed to deferred capital projects and information technology projects, unspent grant and economic development 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 \$0.032 million. This increase stemmed from a budget amendment to increase the use of grant funds for both the Permanent Local Housing Allocation (PLHA) grant and CDBG-CV grant. The PLHA grant is used towards the agreement with Mercy House and the amendment increased the number of hours per week to be used for homeless liaison services. The increase to the CDBG-CV grant is for administrative expenditures that were inadvertently left out of the budget. Both of these amendments had an offsetting amendment to revenue, and therefore, no impact to the General Fund.

### **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 from a negative \$863 to \$.174 million. This change in fund balance stems from the use of fund balance towards various projects; however, the significant change in the fund balance is due to the recognition of the State Capital Park grant revenue in the current fiscal year towards expenditures for the Central Park Splash Pad 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 \$2.05 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, 2023, amounts to \$113.9 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 .32 percent.

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

	<b>Balance June 30, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2023</b>
<b>Governmental Activities:</b>				
Total capital assets not being depreciated	\$ 97,076	\$ 1,823	\$ 1,721	\$ 97,178
Total capital assets being depreciated	92,761	1,813	45	94,529
Total accumulated depreciation	(75,573)	(2,280)	(45)	(77,808)
Total capital assets, being depreciated, net	17,188	(467)	-	16,721
Governmental activities capital assets, net	\$ 114,264	\$ 1,356	\$ 1,721	\$ 113,899

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

- Additions to construction in progress of \$1.8 million included on-going projects for traffic signal enhancements and upgrades, Antonio Parkway Gateway Improvement, Skate Park renovations, as well as, the initial expenditures for the City Hall and BTRCC Interior LED Lighting Conversion project. The additions include the completion of traffic signal enhancement and signal equipment upgrade projects, ADA curb ramp installation project, the City Hall and BTRCC sliding doors, as well as, the HVAC unit replacement project.
- Infrastructure additions for the year totaled \$1.1 million related to the completion of traffic signal enhancement and upgrade projects, as well as, a more robust ADA curb ramp project.
- Additions to Buildings of \$.62 million stems from the completion of the HVAC replacement project at both City Hall and the BTRCC, as well as, the replacement of the sliding doors at each building.
- Machinery and Equipment additions include the purchase of a radar message trailer, reach-in freezer, camera system located at the Splash Pad, replacement of network servers, as well as, a vault for City records. While disposals of \$0.045 million included the removal of fully depreciated and no longer in use information technology equipment.

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 2023 was an average of 83.7, or satisfactory. This average PCI was maintained since the last update in 2022. 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 \$6.8 million.

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

	<b>Balance June 30, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2023</b>	<b>Long- Term</b>	<b>Due Within One Year</b>
<b>Lease Revenue</b>						
<b>Refunding Bonds</b>	7,375	-	505	6,870	\$ 6,345	525
<b>Bond premium</b>	313	-	27	286	\$ 286	-
<b>Compensated Absences</b>	411	325	305	431	237	194
<b>Long-Term Liabilities Total</b>	<b>\$ 8,099</b>	<b>\$ 325</b>	<b>\$ 837</b>	<b>\$ 7,587</b>	<b>\$6,868</b>	<b>\$ 719</b>

Long-term debt-related events during the fiscal year ended June 30, 2023 included:

- Compensated absences liabilities increased to \$0.43 million and usage by employees amounted to \$0.30 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2023 totaled \$0.035 million.

Other long-term liability events during the fiscal year ended June 30, 2023 included:

- Other post-employment benefit liabilities, (OPEB) decreased by \$0.12 million.
- The Net Pension Liability for Fiscal year 2022/23 had a net increase of \$1.59 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 2023-2024 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, 2023**

	<b>Governmental Activities</b>
Assets:	
Cash and investments (note 2)	\$ 35,462,250
Cash and investments with fiscal agent (note 2)	203
Receivables:	
Due from other governments	2,435,250
Accrued interest	197,278
Accounts, net	459,475
Prepaid items	13,601
Non-depreciable capital assets (note 4)	97,177,725
Capital assets, depreciated, net (note 4)	16,721,151
Total assets	152,466,933
Deferred Outflows of Resources:	
Deferred amount on refunding, net of accumulated amortization	249,612
Deferred amounts on OPEB (note 7)	148,669
Deferred amounts on pension plan (note 6)	1,403,518
Total deferred outflows of resources	1,801,799
Liabilities:	
Accounts payable	2,328,390
Wages payable	144,044
Unearned revenue	2,120,109
Retentions payable	130,341
Deposits	182,237
Interest payable	35,406
Long-term liabilities (note 5):	
Due within one year	719,022
Due in more than one year	6,868,089
Other Post-Employment Benefits (OPEB) Liability (note 7)	875,195
Net Pension Liability (note 6)	2,314,404
Total liabilities	15,717,237
Deferred Inflows of Resources:	
Deferred amounts on pension plan (note 6)	112,567
Deferred amounts on OPEB (note 7)	284
Total deferred inflows of resources	112,851
Net position:	
Net investment in capital assets	106,992,536
Restricted for:	
Public safety	306,977
Public works	3,104,545
Unrestricted	28,034,586
Total net position	\$ 138,438,644

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<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	\$ 4,358,626	\$ 311,216	\$ 157,035	\$ -	\$ (3,890,375)
Building and planning	1,047,587	927,060	343,702	-	223,175
Public safety	10,957,916	181,480	678,795	-	(10,097,641)
Public works	8,122,136	54,502	3,919,501	262,083	(3,886,050)
Interest expense	215,709	-	-	-	(215,709)
Total governmental activities	<u>\$ 24,701,974</u>	<u>\$ 1,474,258</u>	<u>\$ 5,099,033</u>	<u>\$ 262,083</u>	<u>\$ (17,866,600)</u>
General revenues:					
Taxes:					
Property taxes					8,657,981
Sales taxes					8,374,788
Real property transfer taxes					294,734
Franchise fees					1,655,107
Investment income (loss)					635,831
Unrestricted intergovernmental revenues					49,149
Other					<u>66,103</u>
Total general revenues					<u>19,733,693</u>
Change in net position					1,867,093
Net position at beginning of year					<u>136,571,551</u>
Net position at end of year					<u>\$ 138,438,644</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, 2023**

<b>Assets</b>	<b>General</b>	<b>Capital Projects</b>	<b>Grant Funds</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
Cash and investments	\$ 28,588,689	\$ 1,981,385	\$ 2,054,327	\$ 2,837,849	\$ 35,462,250
Cash and investments w/fiscal agent	-	-	-	203	203
Receivables:					
Due from other governments	1,820,537	-	-	585,382	2,405,919
Due from other governments - deferred	-	29,331	-	-	29,331
Accrued interest	162,851	5	-	34,422	197,278
Accounts, net	382,231	77,244	-	-	459,475
Prepaid items	13,601	-	-	-	13,601
Total assets	<u>\$ 30,967,909</u>	<u>\$ 2,087,965</u>	<u>\$ 2,054,327</u>	<u>\$ 3,457,856</u>	<u>\$ 38,568,057</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 527,512	\$ 1,754,747	\$ -	\$ 46,131	\$ 2,328,390
Wages payable	144,044	-	-	-	144,044
Unearned revenue	65,782	-	2,054,327	-	2,120,109
Retentions payable	-	130,341	-	-	130,341
Deposits	182,237	-	-	-	182,237
Total liabilities	<u>919,575</u>	<u>1,885,088</u>	<u>2,054,327</u>	<u>46,131</u>	<u>4,905,121</u>
Deferred Inflows of Resources:					
Unavailable revenue from grants	-	29,331	-	-	29,331
Total deferred inflows of resources	<u>-</u>	<u>29,331</u>	<u>-</u>	<u>-</u>	<u>29,331</u>
Fund balance:					
Nonspendable: Prepaid items	13,601	-	-	-	13,601
Restricted for debt service	-	-	-	203	203
Restricted for public safety	-	-	-	306,977	306,977
Restricted for public works	-	-	-	3,104,545	3,104,545
Committed for Encumbrances	68,349	-	-	-	68,349
Committed for self insurance	30,000	-	-	-	30,000
Assigned:					
Council projects/equipment/facilities	17,950,931	-	-	-	17,950,931
Capital projects working capital	-	173,546	-	-	173,546
Unassigned	11,985,453	-	-	-	11,985,453
Total fund balance	<u>30,048,334</u>	<u>173,546</u>	<u>-</u>	<u>3,411,725</u>	<u>33,633,605</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 30,967,909</u>	<u>\$ 2,087,965</u>	<u>\$ 2,054,327</u>	<u>\$ 3,457,856</u>	<u>\$ 38,568,057</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, 2023**

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

Fund balances of governmental funds		\$ 33,633,605
Capital assets net of depreciation have not been included as financial resources in governmental funds		113,898,876
Long term debt, accrued interest payable, compensated absences, and OPEB liability have not been included in the governmental funds:		
Lease Revenue Refunding Bonds Payable		(6,870,000)
Bond Premium		(285,952)
Deferred Amount on Bond Refunding, net		249,612
Accrued Interest Payable		(35,406)
Compensated Absences Payable		(431,159)
Other Post Employment Benefits (OPEB)		
Deferred outflows of resources	148,669	
Deferred Inflows of resources	(284)	
Other Post Employment Benefits (OPEB) Liability	(875,195)	(726,810)
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	1,403,518	
Deferred inflows of resources	(112,567)	
Net Pension Liability	(2,314,404)	(1,023,453)
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.		29,331
Net position of governmental activities		\$ 138,438,644

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, 2023**

	<u>General</u>	<u>Capital Projects</u>	<u>Grant Funds</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>Revenues:</b>					
Taxes	\$ 17,327,503	\$ -	\$ -	\$ -	\$ 17,327,503
Fees and permits	2,303,847	-	-	-	2,303,847
Intergovernmental	714,503	464,034	1,095,244	3,497,027	5,770,808
Charges for services	561,303	-	-	-	561,303
Investment income (loss)	523,276	(13,937)	-	126,492	635,831
Fines, forfeits and penalties	181,480	-	-	-	181,480
Other	66,103	-	-	-	66,103
<b>Total revenues</b>	<u>21,678,015</u>	<u>450,097</u>	<u>1,095,244</u>	<u>3,623,519</u>	<u>26,846,875</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	4,052,107	-	3,675	38,158	4,093,940
Building and planning	1,667,209	-	-	-	1,667,209
Public safety	10,822,413	-	-	135,503	10,957,916
Public works	2,553,732	4,130,370	-	407,852	7,091,954
<b>Debt Service:</b>					
Principal retirement	-	-	-	505,000	505,000
Interest	-	-	-	222,537	222,537
<b>Total expenditures</b>	<u>19,095,461</u>	<u>4,130,370</u>	<u>3,675</u>	<u>1,309,050</u>	<u>24,538,556</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>2,582,554</u>	<u>(3,680,273)</u>	<u>1,091,569</u>	<u>2,314,469</u>	<u>2,308,319</u>
<b>Other financing sources (uses):</b>					
Transfers in (note 3)	1,209,679	3,854,682	-	726,947	5,791,308
Transfers out (note 3)	(1,093,423)	-	(1,091,569)	(3,606,316)	(5,791,308)
<b>Total financing sources (uses)</b>	<u>116,256</u>	<u>3,854,682</u>	<u>(1,091,569)</u>	<u>(2,879,369)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>2,698,810</u>	<u>174,409</u>	<u>-</u>	<u>(564,900)</u>	<u>2,308,319</u>
<b>Fund balances, beginning of year</b>	<u>27,349,524</u>	<u>(863)</u>	<u>-</u>	<u>3,976,625</u>	<u>31,325,286</u>
<b>Fund balances, end of year</b>	<u>\$ 30,048,334</u>	<u>\$ 173,546</u>	<u>\$ -</u>	<u>\$ 3,411,725</u>	<u>\$ 33,633,605</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, 2023**

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

Net change in fund balances - total governmental funds	\$ 2,308,319
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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	1,868,988
Depreciation of Capital Assets	(2,234,026)

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)	505,000
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)	3,367
Compensated Absences	(20,636)
Change in OPEB Liability and related deferred outflows and inflows of resources	(66,697)

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.	(222,875)
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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.	(277,808)
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Change in net position of governmental activities	\$ 1,867,093
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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, 2023**

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, 2023 (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, 2023 (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, 2023 (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, 2023 (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, 2023 (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, 2023 (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, 2023 (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, 2023 (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 23-06-28-02.

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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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	\$ 35,462,250
Cash and investments with fiscal agent	<u>203</u>
Total Cash and Investments	<u>\$ 35,462,453</u>

Cash and investments at June 30, 2023 consisted of the following:

Cash and Investments held by City:

Deposits in banks or on hand	\$ 8,462,089
Certificate of Deposit	1,000,000
Local Agency Investment Fund (LAIF)	<u>26,000,161</u>
Total Cash and Investments held by City	<u>35,462,250</u>

Cash and Investments held by Fiscal Agent:

Money Market Mutal Fund	<u>203</u>
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Total Cash and Investments	<u>\$ 35,462,453</u>
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**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (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	\$35,000,000
Local Government Investment Pool	N/A	None	\$35,000,000

\* 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, 2023 (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, 2023 (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)	\$ 26,000,161	\$ 26,000,161	\$ -	\$ -	\$ -
Certificate of Deposit	1,000,000	1,000,000	-	-	-
Held by bond fiscal agent:					
Money Market Mutual Fund	203	203	-	-	-
Total	<u>\$ 27,000,364</u>	<u>\$ 27,000,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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)	\$ 26,000,161	N/A	\$ -	\$ 26,000,161
Certificate of Deposit	1,000,000	N/A	-	1,000,000
Held by bond fiscal agent:				
Money Market Mutual Fund	203	AAA	203	-
Total	<u>\$ 27,000,364</u>		<u>\$ 203</u>	<u>\$ 27,000,161</u>

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (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, 2023, 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, 2023 (CONTINUED)**

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers In and Out

Transfers in and out for the year ended June 30, 2023 are as follows:

	<b>Transfers From:</b>			Total
	General Fund	Grant Fund	Non-major Funds	
<b>Transfers To:</b>				
General Fund	\$ -	\$ 500,000	\$ 709,679	\$ 1,209,679
Capital Projects	366,476	591,569	2,896,637	3,854,682
Non-major Funds	726,947	-	-	726,947
<b>Total Transfers</b>	<u>\$ 1,093,423</u>	<u>\$ 1,091,569</u>	<u>\$ 3,606,316</u>	<u>\$ 5,791,308</u>

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

- The Transfer of \$500,000 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 \$709,679 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 \$366,476 from the General Fund to the Capital Projects Fund was to fund the sealcoating of the parking lots at both City Hall and the BTRCC (\$13,514), a portion of the Traffic Signal Enhancement project (\$260,000), repairs at the Dog Park (8,933), initial costs associated with the City Hall Interior LED Lighting Conversion project (27,067) as well as, costs related to the Chiquita Ridge Habitat Restoration project of (\$56,962).
- The transfer of \$591,569 from the Grant Fund to the Capital Projects Fund was for the completion of the HVAC Unit upgrades at the BTRCC and replacement of the sliding doors between City Hall and the BTRCC.
- The transfer of \$2,896,637 from the Non-major Funds to the Capital Projects Fund was primarily to fund the various slurry seal and overlay road projects (\$1,783,625), various street rehabilitation and improvement projects (\$495,596) and other street, sidewalk repairs and maintenance throughout the city (\$331,310). The transfer also includes traffic signal and equipment upgrades of (\$206,434). The transfer includes the City’s match of Gas Tax funds for various Bridge Repair projects of (\$9,410), as well as, costs towards the initial stages of the Antonio Parkway Gateway improvement project of (\$70,262).
- The transfer of \$726,947 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, 2023 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </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	56,247	1,822,630	1,721,497	157,380
Infrastructure - pavement	<u>46,766,726</u>	<u>-</u>	<u>-</u>	<u>46,766,726</u>
Total capital assets not being depreciated	<u>97,076,592</u>	<u>1,822,630</u>	<u>1,721,497</u>	<u>97,177,725</u>
Capital assets being depreciated:				
Machinery & equipment	1,048,964	90,986	44,628	1,095,322
Buildings	18,624,550	622,154	-	19,246,704
Parks	2,855,251	-	-	2,855,251
Infrastructure - all others	<u>70,232,788</u>	<u>1,099,343</u>	<u>-</u>	<u>71,332,131</u>
Total capital assets being depreciated	<u>92,761,553</u>	<u>1,812,483</u>	<u>44,628</u>	<u>94,529,408</u>
Less accumulated depreciation:				
Machinery & equipment	931,446	65,343	44,628	952,161
Buildings	10,336,800	641,557	-	10,978,357
Parks	741,870	114,210	-	856,080
Infrastructure	<u>63,564,115</u>	<u>1,457,544</u>	<u>-</u>	<u>65,021,659</u>
Total accum. Depreciation:	<u>75,574,231</u>	<u>2,278,654</u>	<u>44,628</u>	<u>77,808,257</u>
Total capital assets being depreciated, net	<u>17,187,322</u>	<u>(466,171)</u>	<u>-</u>	<u>16,721,151</u>
Total capital assets, net	<u>\$ 114,263,914</u>	<u>\$ 1,356,459</u>	<u>\$ 1,721,497</u>	<u>\$ 113,898,876</u>

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

General government	\$ 65,343
Public works	<u>2,213,311</u>
Total	<u>\$ 2,278,654</u>

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS, (Continued)

Significant Commitments

The City had various active, on-going and un-completed projects at June 30, 2023. At year-end, the City’s encumbrances with contractors or consultants for work performed before June 30, 2023, but not yet paid were as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
<b>Encumbered in General Fund:</b>		
CH & BTRCC Interior LED Conversion	\$ 24,684	\$ 11,227
CH & BTRCC Entryway patio furniture	-	27,769
Crash Barrell System-guardrail temp repair	-	10,970
Building Access Card System	-	10,976
Signal Pole Base Replacement	-	7,408
Total encumbered in General Fund	<u>\$ 24,684</u>	<u>\$ 68,350</u>
<b>Encumbered in M2 Fund:</b>		
Antonio Pkwy Gateway Improvements	\$ 87,984	\$ 14,449
Total encumbered in M2 Fund	<u>\$ 87,984</u>	<u>\$ 14,449</u>

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2023 was as follows:

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
<b>Lease Revenue Refunding Bonds</b>					
City Hall & Regional					
Community Center	\$ 7,375,000	\$ -	\$ 505,000	\$ 6,870,000	\$ 525,000
Bond premium	313,186	-	27,234	285,952	-
Compensated absences	<u>410,523</u>	<u>325,654</u>	<u>305,018</u>	<u>431,159</u>	<u>194,022</u>
<b>Total Governmental</b>					
Long-Term Liabilities	<u>\$ 8,098,709</u>	<u>\$ 325,654</u>	<u>\$ 837,252</u>	<u>\$ 7,587,111</u>	<u>\$ 719,022</u>



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

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”).

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, 2023 is \$6,870,000.

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, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	610,000	124,082	734,082
2029 -2033	3,310,000	354,475	3,664,475
2034	720,000	10,800	730,800
Totals	<u>\$ 6,870,000</u>	<u>\$ 1,169,534</u>	<u>\$ 8,039,534</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, 2023 (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 PERFC 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, 2023, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to <u>February 27, 2011</u>	On or After <u>February 27, 2011</u>	On or After <u>January 1, 2013</u>
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates	8.0% (a)	7.0%	7.25%
Required employer contribution rates:			
Normal cost rate	12.050%	9.320%	7.650% (b)
Payment of unfunded liability	\$146,277	\$12,198	\$2,404

(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, 2023 (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, 2023, 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	\$ 2,314,404

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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2023 (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, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.03801%
Proportion - June 30, 2022	0.04946%
Change - Increase (Decrease)	0.01145%

**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, 2023, the City recognized a pension expense of \$620,280. At June 30, 2023, 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	\$ 237,159	\$ -
Differences between actual and expected experience	46,478	31,129
Differences between projected and actual investment earnings	423,937	
Differences between employer's contributions and proportionate share of contributions	-	81,438
Change in employer's proportion	298,539	-
Pension contributions made subsequent to measurement date	397,405	-
Total	\$ 1,403,518	\$ 112,567

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

\$397,405 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 272,063
2025	233,888
2026	128,300
2027	259,295
2028	-
Thereafter	-
	\$ 893,546

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

**Actuarial Assumptions**

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward June 30, 2021 total pension liability determined in the June 30, 2021 actuarial accounting valuation. The June 30, 2023 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.
- (3) The lesser of contract COLA up or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter.

For more details on this table, please refer to the November 2021 experience study report based on CalPERS demographic data from 2001 to 2019. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**Change of Assumptions**

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with the risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

**Discount Rate**

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

**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. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (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.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return (a)(b)</u>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.0%</u>	

(a) An expected inflation of 2.30% used for this period

(b) Figures are based on the 2021 Asset Liability Management study.



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (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	5.90%
Net Pension Liability	\$ 3,821,437
Current Discount Rate	6.90%
Net Pension Liability	\$ 2,314,404
1% Increase	7.90%
Net Pension Liability	\$ 1,074,489

**Pension Plan Fiduciary Net Position**

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

**Plan Description**

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

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

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

**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, 2021 (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, 2023 (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 2022/23, the City paid \$149 or \$151 per month as the full amount required by the plan for each retiree from City service, for a total contribution of \$20,387, which is made up of a cash contribution of \$12,600 and an implicit subsidy of \$7,787. 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, 2022 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	3.54%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.54%, per year net of expenses. This is based on the Bond Buyer 20 Bond Index.
Mortality Rate <sup>(1)</sup>	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover <sup>(2)</sup>	Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	Based on recent premium experience assuming 4% increase due to market trends then reduced to a rate reflecting medical price inflation

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

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

Notes:

<sup>(1)</sup> Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2001 to 2019 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

<sup>(2)</sup> The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2001 to 2019 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.54 percent. The interest rate used in the prior valuation was 2.16%. 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, 2023 (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, 2021	<u>\$ 999,672</u>
Changes recognized for the measurement period:	
Service Cost	66,600
Interest	21,974
Changes of assumptions	(181,771)
Net Investment income	-
Experience (Gains) / Losses	-
Benefit payments	(31,280)
Benefit payment terms	-
Administrative expense	-
Net Changes during 2021-22	(124,477)
Balance at June 30, 2022 <i>(Measurement Date June 30, 2022)</i>	<u>\$ 875,195</u>

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (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, 2022:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
OPEB Liability	\$1,004,006	\$875,195	\$784,043

**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	\$742,790	\$875,195	\$1,035,008

**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, 2023 (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, 2023, the City recognized OPEB expense of \$106,100. As of fiscal year ended June 30, 2023, 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	\$ 20,387	\$ -
Changes of Assumptions	128,282	-
Changes in Experience	-	284
Total	\$ 148,669	\$ 284

The \$20,387 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2024. 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
2023	\$ 17,526
2024	17,526
2025	17,526
2026	17,526
2027	17,526
Thereafter	40,368

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (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 \$40 million. The total annual contribution for this coverage was \$165,519 for the fiscal year ended June 30, 2023.

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 \$68,875 for the fiscal year ending June 30, 2023.

Property Insurance

The City purchases commercial property insurance through CIRA with program limits of \$600 million for personal property with a \$25,000 deductible per occurrence. Property loss involving auto physical damage is based on replacement cost value with a \$15,000 deductible per occurrence.

Crime Bonds

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

Cyber Insurance

The City purchases cyber insurance through CIRA with limits of \$1,950,000 and a \$50,000 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, 2023. Furthermore, there have been no claims settlements or judgments that have exceeded insurance coverage since the City's inception on January 1, 2000.



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

**NOTE 9 – CONTINGENT LIABILITIES**

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

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

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

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

A continuing priority of the City Council is to exercise prudent financial management, provide long term financial planning, and strong internal control of City asset uses. To this end a revised Reserve Policy was and adopted on June 28, 2023 regarding the City’s accumulated net resources, called fund balance. The Reserve Policy establishes a framework for the funding, use, and maintenance of available fund balance levels for various objectives: To protect the City’s ability to provide services to community residents during emergencies or economic downturns; provide funding for unanticipated or “one-time” expenditures, plan for the repair/replacement of City facilities, infrastructure or technology; and provide an amount for use in times of catastrophic emergencies or natural disasters.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

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

The City’s General fund balance classifications at June 30, 2023, are presented below and followed by explanations as to the nature and purpose of assigned and unassigned classifications.

General Fund:

Unspendable: Prepaid items	\$	13,601
Committed for Encumbrances		68,349
Committed for self insurance		30,000
Assigned:		
Council Strategic	\$ 12,686,054	
CalPERS UAL	1,000,000	
Technology	1,983,108	
Facilities	1,823,835	
Vehicles	157,209	
Infrastructure	300,725	
Total Assigned: Council projects/equipment/facilities		17,950,931
Unassigned:		
Emergency Policy		11,985,453
Total General Fund Balance	\$	30,048,334

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, however it shall require a majority vote (3/5) of City Council to access these funds.

Assigned for CalPERS Unfunded Accrued Liability (UAL) – To be used towards the pay down of the City’s UAL based on a set payment amount and/or number of years determined by the City Council. Any payment plan or alteration to the plan shall require a majority vote (3/5) of the City Council to access these funds. Payments will be made against the category until zero balance is reached or payments are no longer deemed necessary

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, network hardware, 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.

**CITY OF RANCHO SANTA MARGARITA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

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

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 City’s property insurance self-insured retention (SIR). The SIR was based on five City-owned structures over a 10-year period for a base amount of \$500,000.

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. The total balance is set for 40% of the total General Fund Balance. 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.

NOTE 11 – EXCESS EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations for the year ended June 30, 2023, as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Gas Tax	\$ 387,000	\$ 407,852	\$ (20,852)

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# Required Supplementary Information

*Rancho Santa Margarita, California*

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR FISCAL YEAR ENDED JUNE 30, 2023**

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

Last Ten Fiscal Years\*

Fiscal year ended June 30	2023	2022	2021	2020
Measurement date ended June 30	2022	2021	2020	2019
Plan's proportion of the net pension liability	0.02004%	0.01334%	0.01690%	0.01657%
Plan's proportionate share of the net pension liability	\$ 2,314,404	\$ 721,653	\$ 1,838,776	\$ 1,697,876
Plan's covered payroll	\$ 2,483,967	\$ 2,289,372	\$ 2,481,988	\$ 2,269,275
Plan's proportionate share of the net pension liability as a percentage of covered payroll	93.17%	31.52%	74.08%	74.82%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	76.68%	88.29%	75.10%	75.26%
Plan's proportionate share of aggregate employer contributions	\$ 453,396	\$ 370,910	\$ 322,602	\$ 272,138

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.

From fiscal year June 30, 2022 to June 30, 2023:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
2018	2017	2016	2015	2014
0.01619%	0.01661%	0.01653%	0.01721%	0.01626%
\$ 1,560,147	\$ 1,646,931	\$ 1,430,589	\$ 1,180,978	\$ 1,011,781
\$ 2,226,095	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340	\$ 1,680,986
70.08%	72.10%	66.72%	66.19%	60.19%
75.26%	73.31%	74.06%	78.40%	78.25%
\$ 228,430	\$ 197,179	\$ 168,530	\$ 142,383	\$ 98,432

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

Last Ten Fiscal Years\*

	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	\$ 397,405	\$ 358,509	\$ 346,683	\$ 317,543
Contributions in relation to the actuarially determined contributions	397,405	358,509	346,683	317,543
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,680,549	\$ 2,483,967	\$ 2,289,372	\$ 2,481,988
Contributions as a percentage of covered payroll	14.83%	14.43%	15.14%	12.79%

Notes to Schedule:

Valuation Date	6/30/2020	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, 2023**

Measurement Date ended June 30	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service cost	\$ 66,600	\$ 75,184	\$ 56,298	\$ 31,006	\$ 32,568	\$ 31,696
Interest on the total OPEB liability	21,974	19,676	23,776	17,189	16,531	13,886
Actual and expected experience difference	-	53,389	-	(89,499)	-	-
Changes in assumptions	(181,771)	24,535	139,229	273,859	(22,286)	-
Changes in benefit terms	-	-	-	(1,018)	-	-
Benefit payments	<u>(31,280)</u>	<u>(29,885)</u>	<u>(27,371)</u>	<u>(8,070)</u>	<u>(8,338)</u>	<u>(8,017)</u>
Net change in total OPEB liability	(124,477)	142,899	191,932	223,467	18,475	37,565
Total OPEB liability - beginning	<u>999,672</u>	<u>856,773</u>	<u>664,841</u>	<u>441,374</u>	<u>422,899</u>	<u>385,334</u>
Total OPEB liability - ending (a)	<u>\$ 875,195</u>	<u>\$ 999,672</u>	<u>\$ 856,773</u>	<u>\$ 664,841</u>	<u>\$ 441,374</u>	<u>\$ 422,899</u>
Covered-employee payroll	\$ 2,483,967	\$ 2,289,372	\$ 2,481,988	\$ 2,269,275	\$ 2,269,275	\$ 2,226,095
Total OPEB liability as a percentage of covered-employee payroll	35.23%	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.

The discount rate changed from 2.16% to 3.54% for the valuation done as of the June 30, 2022 measurement date.

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**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, 2023**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<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	\$ 17,091,700	\$ 17,091,700	\$ 17,327,503	\$ 235,803
Fees and permits	1,853,527	1,853,527	2,303,847	450,320
Intergovernmental	727,937	760,425	714,503	(45,922)
Charges for service	408,151	408,151	561,303	153,152
Investment income (loss)	70,000	70,000	523,276	453,276
Fines, forfeits and penalties	219,000	219,000	181,480	(37,520)
Other	50,000	50,000	66,103	16,103
Total revenues	<u>20,420,315</u>	<u>20,452,803</u>	<u>21,678,015</u>	<u>1,225,212</u>
Expenditures:				
General government	4,509,407	4,509,407	4,052,107	457,300
Building and planning	1,681,192	1,713,680	1,667,209	46,471
Public safety	11,577,096	11,577,096	10,822,413	754,683
Public works	2,763,234	2,763,234	2,553,732	209,502
Total expenditures	<u>20,530,929</u>	<u>20,563,417</u>	<u>19,095,461</u>	<u>1,467,956</u>
Other financing sources (uses):				
Transfers in	1,297,213	1,297,213	1,209,679	(87,534)
Transfers out	(1,672,538)	(1,672,538)	(1,093,423)	579,115
Total financing sources (uses)	<u>(375,325)</u>	<u>(375,325)</u>	<u>116,256</u>	<u>491,581</u>
Net change in fund balances	(485,939)	(485,939)	2,698,810	3,184,749
Fund balances, beginning of year	<u>27,349,524</u>	<u>27,349,524</u>	<u>27,349,524</u>	<u>-</u>
Fund balances, end of year	<u>\$ 26,863,585</u>	<u>\$ 26,863,585</u>	<u>\$ 30,048,334</u>	<u>\$ 3,184,749</u>

See Notes to the Required Supplementary Information

**CITY OF RANCHO SANTA MARGARITA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**BUDGETARY COMPARISON SCHEDULE  
GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 3,039,443	\$ 3,039,443	\$ 1,095,244	\$ (1,944,199)
Total revenues	<u>3,039,443</u>	<u>3,039,443</u>	<u>1,095,244</u>	<u>(1,944,199)</u>
Expenditures:				
General Government	1,010,287	1,010,287	3,675	1,006,612
Public Safety	175,955	175,955	-	175,955
Public Works	45,605	45,605	-	45,605
Total expenditures	<u>1,231,847</u>	<u>1,231,847</u>	<u>3,675</u>	<u>1,228,172</u>
Other financing sources (uses):				
Transfers out	<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,091,569)</u>	<u>194,431</u>
Total financing sources (uses)	<u>(1,286,000)</u>	<u>(1,286,000)</u>	<u>(1,091,569)</u>	<u>194,431</u>
Net change in fund balances	521,596	521,596	-	(521,596)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 521,596</u>	<u>\$ 521,596</u>	<u>\$ -</u>	<u>\$ (521,596)</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, 2023**

**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 2023 was an average of 83.7, or satisfactory. This average PCI was maintained since the last update in 2022. 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, 2023 (CONTINUED)**

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

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

	<u>Actual Assessed Condition Level</u>	<u>Minimum Condition Level</u>
<b>2023:</b> Pavement subsystem	83.7	70
<b>2022:</b> Pavement subsystem	83.2	70
<b>2021:</b> Pavement subsystem	83.8	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, 2023, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 83.7, 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 \$4,439,637 have been budgeted for the fiscal year ending June 30, 2024, for maintenance/rehabilitation to maintain PCI standard.

**CITY OF RANCHO SANTA MARGARITA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (CONTINUED)**

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

	Street Maintenance Cost	Street Maintenance Budget
June 2023	\$ 3,286,185	\$ 4,001,705
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

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 2022/23.

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, 2023 (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.

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, 2023**

<b>Assets</b>	<b>Special Revenue Funds</b>			
	<b><u>Gas Tax</u></b>	<b><u>Measure M</u></b>	<b><u>Air Quality Management District</u></b>	<b><u>Local Park Trust Fund</u></b>
Cash and investments	\$ 223,061	\$ 564,240	\$ 209,516	\$ 50,325
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	221,810	160,290	15,768	-
Interest receivable	3,923	5,839	1,618	1,874
Total assets	\$ 448,794	\$ 730,369	\$ 226,902	\$ 52,199
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 36,482	\$ -	\$ -	\$ -
Total liabilities	36,482	-	-	-
Fund balances:				
Restricted for debt service	-	-	-	-
Restricted for public safety	-	-	-	-
Restricted for public works	412,312	730,369	226,902	52,199
Total fund balances	412,312	730,369	226,902	52,199
Total liabilities and fund balances	\$ 448,794	\$ 730,369	\$ 226,902	\$ 52,199

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	
<u>Supplemental Law Enforcement Services</u>	<u>PEG Fee Fund</u>	<u>RMRA Fund</u>	<u>Rancho Santa Margarita PFA</u>	<u>Totals</u>
\$ 314,396	\$ 594,947	\$ 881,364	\$ -	\$ 2,837,849
-	-	-	203	203
-	-	187,514	-	585,382
2,230	4,024	14,914	-	34,422
<u>\$ 316,626</u>	<u>\$ 598,971</u>	<u>\$ 1,083,792</u>	<u>\$ 203</u>	<u>\$ 3,457,856</u>
<u>\$ 9,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,131</u>
<u>9,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,131</u>
-	-	-	203	203
306,977	-	-	-	306,977
-	598,971	1,083,792	-	3,104,545
<u>306,977</u>	<u>598,971</u>	<u>1,083,792</u>	<u>203</u>	<u>3,411,725</u>
<u>\$ 316,626</u>	<u>\$ 598,971</u>	<u>\$ 1,083,792</u>	<u>\$ 203</u>	<u>\$ 3,457,856</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, 2023**

	<u>Special Revenue Funds</u>			
	<u>Gas Tax</u>	<u>Measure M</u>	<u>Air Quality Management District</u>	<u>Local Park Trust Fund</u>
Revenues:				
Intergovernmental	\$ 1,221,737	\$ 977,506	\$ 62,411	\$ -
Investment income (loss)	11,642	18,058	5,223	14,157
Total revenues	<u>1,233,379</u>	<u>995,564</u>	<u>67,634</u>	<u>14,157</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	407,852	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>407,852</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>825,527</u>	<u>995,564</u>	<u>67,634</u>	<u>14,157</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(795,427)	(964,109)	(62,557)	-
Total financing sources (uses)	<u>(795,427)</u>	<u>(964,109)</u>	<u>(62,557)</u>	<u>-</u>
Net change in fund balances	30,100	31,455	5,077	14,157
Fund balances, beginning of year	<u>382,212</u>	<u>698,914</u>	<u>221,825</u>	<u>38,042</u>
Fund balances, end of year	<u>\$ 412,312</u>	<u>\$ 730,369</u>	<u>\$ 226,902</u>	<u>\$ 52,199</u>

<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	
<u>Supplemental Law Enforce- ment Services</u>	<u>PEG Fee Fund</u>	<u>RMRA Fund</u>	<u>Rancho Santa Margarita PFA</u>	<u>Totals</u>
\$ 165,271	\$ -	\$ 1,070,102	\$ -	\$ 3,497,027
6,939	13,899	55,783	791	126,492
<u>172,210</u>	<u>13,899</u>	<u>1,125,885</u>	<u>791</u>	<u>3,623,519</u>
-	38,158	-	-	38,158
135,503	-	-	-	135,503
-	-	-	-	407,852
-	-	-	505,000	505,000
-	-	-	222,537	222,537
<u>135,503</u>	<u>38,158</u>	<u>-</u>	<u>727,537</u>	<u>1,309,050</u>
<u>36,707</u>	<u>(24,259)</u>	<u>1,125,885</u>	<u>(726,746)</u>	<u>2,314,469</u>
-	-	-	726,947	726,947
-	-	(1,784,223)	-	(3,606,316)
<u>-</u>	<u>-</u>	<u>(1,784,223)</u>	<u>726,947</u>	<u>(2,879,369)</u>
36,707	(24,259)	(658,338)	201	(564,900)
<u>270,270</u>	<u>623,230</u>	<u>1,742,130</u>	<u>2</u>	<u>3,976,625</u>
<u>\$ 306,977</u>	<u>\$ 598,971</u>	<u>\$ 1,083,792</u>	<u>\$ 203</u>	<u>\$ 3,411,725</u>



**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL (BUDGETARY COMPARISONS)**

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  
Local Park Trust  
Supplemental Law Enforcement Services  
PEG Fee  
Road Maintenance & Rehabilitation Account

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, 2023**

	<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	\$ 1,403,862	\$ 1,403,862	\$ 1,221,737	\$ (182,125)
Investment income	5,000	5,000	11,642	6,642
Total revenues	<u>1,408,862</u>	<u>1,408,862</u>	<u>1,233,379</u>	<u>(175,483)</u>
Expenditures:				
Public works - current	387,000	387,000	407,852	(20,852)
Total expenditures	<u>387,000</u>	<u>387,000</u>	<u>407,852</u>	<u>(20,852)</u>
Other financing sources (uses):				
Transfers out	(915,194)	(1,002,382)	(795,427)	206,955
Total financing sources (uses)	<u>(915,194)</u>	<u>(1,002,382)</u>	<u>(795,427)</u>	<u>206,955</u>
Net change in fund balances	106,668	19,480	30,100	10,620
Fund balances, beginning of year	<u>382,212</u>	<u>382,212</u>	<u>382,212</u>	<u>-</u>
Fund balances, end of year	<u>\$ 488,880</u>	<u>\$ 401,692</u>	<u>\$ 412,312</u>	<u>\$ 10,620</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, 2023**

	<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	\$ 876,672	\$ 876,672	\$ 977,506	\$ 100,834
Investment income (loss)	3,218	3,218	18,058	14,840
Total revenues	<u>879,890</u>	<u>879,890</u>	<u>995,564</u>	<u>115,674</u>
Other financing sources (uses):				
Transfers out	<u>(1,103,068)</u>	<u>(1,103,068)</u>	<u>(964,109)</u>	<u>138,959</u>
Total financing sources (uses)	<u>(1,103,068)</u>	<u>(1,103,068)</u>	<u>(964,109)</u>	<u>138,959</u>
Net change in fund balances	(223,178)	(223,178)	31,455	254,633
Fund balances, beginning of year	<u>698,914</u>	<u>698,914</u>	<u>698,914</u>	<u>-</u>
Fund balances, end of year	<u>\$ 475,736</u>	<u>\$ 475,736</u>	<u>\$ 730,369</u>	<u>\$ 254,633</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, 2023**

	<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	\$ 62,411	\$ 2,739
Investment income (loss)	328	328	5,223	4,895
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>67,634</u>	<u>7,634</u>
Other financing sources (uses):				
Transfers out	(20,000)	(20,000)	(62,557)	(42,557)
Total financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(62,557)</u>	<u>(42,557)</u>
Net change in fund balances	40,000	40,000	5,077	(34,923)
Fund balances, beginning of year	<u>221,825</u>	<u>221,825</u>	<u>221,825</u>	<u>-</u>
Fund balances, end of year	<u>\$ 261,825</u>	<u>\$ 261,825</u>	<u>\$ 226,902</u>	<u>\$ (34,923)</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, 2023**

	<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)	\$ -	\$ -	\$ 14,157	\$ 14,157
Total revenues	<u>-</u>	<u>-</u>	<u>14,157</u>	<u>14,157</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	14,157	14,157
Fund balances, beginning of year	<u>38,042</u>	<u>38,042</u>	<u>38,042</u>	<u>-</u>
Fund balances, end of year	<u>\$ 38,042</u>	<u>\$ 38,042</u>	<u>\$ 52,199</u>	<u>\$ 14,157</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, 2023**

	<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	\$ 119,453	\$ 119,453	\$ 165,271	\$ 45,818
Investment income (loss)	547	547	6,939	6,392
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>172,210</u>	<u>52,210</u>
Expenditures:				
Public safety - current	<u>151,637</u>	<u>151,637</u>	<u>135,503</u>	<u>16,134</u>
Total expenditures	<u>151,637</u>	<u>151,637</u>	<u>135,503</u>	<u>16,134</u>
Net change in fund balances	(31,637)	(31,637)	36,707	68,344
Fund balances, beginning of year	<u>270,270</u>	<u>270,270</u>	<u>270,270</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 238,633</u></u>	<u><u>\$ 238,633</u></u>	<u><u>\$ 306,977</u></u>	<u><u>\$ 68,344</u></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, 2023**

	<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)	\$ -	\$ -	\$ 13,899	\$ 13,899
Total revenues	<u>-</u>	<u>-</u>	<u>13,899</u>	<u>13,899</u>
Expenditures:				
General government	<u>58,470</u>	<u>58,470</u>	<u>38,158</u>	<u>20,312</u>
Total expenditures	<u>58,470</u>	<u>58,470</u>	<u>38,158</u>	<u>20,312</u>
Net change in fund balances	(58,470)	(58,470)	(24,259)	34,211
Fund balances, beginning of year	<u>623,230</u>	<u>623,230</u>	<u>623,230</u>	<u>-</u>
Fund balances, end of year	<u>\$ 564,760</u>	<u>\$ 564,760</u>	<u>\$ 598,971</u>	<u>\$ 34,211</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, 2023**

	<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	\$ 1,089,120	\$ 1,089,120	\$ 1,070,102	\$ (19,018)
Investment income (loss)	9,195	9,195	55,783	46,588
Total revenues	<u>1,098,315</u>	<u>1,098,315</u>	<u>1,125,885</u>	<u>27,570</u>
Other financing sources (uses):				
Transfers out	<u>(2,139,000)</u>	<u>(2,139,000)</u>	<u>(1,784,223)</u>	<u>354,777</u>
Total financing sources (uses)	<u>(2,139,000)</u>	<u>(2,139,000)</u>	<u>(1,784,223)</u>	<u>354,777</u>
Net change in fund balances	(1,040,685)	(1,040,685)	(658,338)	382,347
Fund balances, beginning of year	<u>1,742,130</u>	<u>1,742,130</u>	<u>1,742,130</u>	<u>-</u>
Fund balances, end of year	<u>\$ 701,445</u>	<u>\$ 701,445</u>	<u>\$ 1,083,792</u>	<u>\$ 382,347</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, 2023**

	<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	\$ -	\$ -	\$ 791	\$ 791
Total revenues	<u>-</u>	<u>-</u>	<u>791</u>	<u>791</u>
Expenditures:				
Debt Service:				
Principal retirement	505,000	505,000	505,000	-
Interest	<u>222,538</u>	<u>222,538</u>	<u>222,537</u>	<u>1</u>
Total expenditures	<u>727,538</u>	<u>727,538</u>	<u>727,537</u>	<u>1</u>
Other financing sources (uses):				
Transfers in	<u>727,538</u>	<u>727,538</u>	<u>726,947</u>	<u>(591)</u>
Total financing sources (uses)	<u>727,538</u>	<u>727,538</u>	<u>726,947</u>	<u>(591)</u>
Net change in fund balances	-	-	201	201
Fund balances, beginning of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 203</u>	<u>\$ 201</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, 2023**

	<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	\$ 657,951	\$ 932,951	\$ 464,034	\$ (468,917)
Investment income (loss)	-	-	(13,937)	(13,937)
Total revenues	<u>657,951</u>	<u>932,951</u>	<u>450,097</u>	<u>(482,854)</u>
Expenditures:				
Public works	<u>5,769,000</u>	<u>6,131,188</u>	<u>4,130,370</u>	<u>2,000,818</u>
Total expenditures	<u>5,769,000</u>	<u>6,131,188</u>	<u>4,130,370</u>	<u>2,000,818</u>
Other financing sources (uses):				
Transfers in	<u>5,111,049</u>	<u>5,198,237</u>	<u>3,854,682</u>	<u>(1,343,555)</u>
Total financing sources (uses)	<u>5,111,049</u>	<u>5,198,237</u>	<u>3,854,682</u>	<u>(1,343,555)</u>
Net change in fund balances	-	-	174,409	174,409
Fund balances (deficit), beginning of year	<u>(863)</u>	<u>(863)</u>	<u>(863)</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ (863)</u>	<u>\$ (863)</u>	<u>\$ 173,546</u>	<u>\$ 174,409</u>

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# Statistical Section

*Rancho Santa Margarita, California*

## STATISTICAL SECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net Investment in				
Capital Assets	\$ 106,992,536	\$ 106,849,113	\$ 106,534,073	\$ 104,695,075
Restricted for:				
Public Safety	306,977	270,270	240,218	212,539
Public Works	3,104,545	3,706,353	4,002,522	3,664,065
Debt Service		-	-	-
Unrestricted	28,034,586	25,745,815	21,824,996	19,335,960
Total Governmental Activities				
Net Position	<u>\$ 138,438,644</u>	<u>\$ 136,571,551</u>	<u>\$ 132,601,809</u>	<u>\$ 127,907,639</u>
 <b>PRIMARY GOVERNMENT</b>				
Net Investment in				
Capital Assets	\$ 106,992,536	\$ 106,849,113	\$ 106,534,073	\$ 104,695,075
Restricted for				
Public Safety	306,977	270,270	240,218	212,539
Public Works	3,104,545	3,706,353	4,002,522	3,664,065
Unrestricted	28,034,586	25,745,815	21,824,996	19,335,960
Total Primary Government				
Net Position	<u>\$ 138,438,644</u>	<u>\$ 136,571,551</u>	<u>\$ 132,601,809</u>	<u>\$ 127,907,639</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, Annual Comprehensive Financial Report (2014-2023)

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015**</b>	<b>2014</b>
\$ 105,277,597	\$ 106,775,273	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951	\$ 108,436,257
174,629	147,789	113,112	99,309	109,554	115,371
3,940,779	3,729,900	3,728,757	3,936,815	3,604,728	3,703,419
-	114	1,526,835	1,515,534	1,509,121	2,357,303
19,262,675	17,171,094	13,960,569	14,981,977	13,325,625	14,065,311
<b>\$ 128,655,680</b>	<b>\$ 127,824,170</b>	<b>\$ 128,581,372</b>	<b>\$ 129,690,863</b>	<b>\$ 127,408,979</b>	<b>\$ 128,677,661</b>

\$ 105,277,597	\$ 106,775,273	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951	\$ 108,436,257
174,629	147,789	113,112	99,309	109,554	115,371
3,940,779	3,729,900	3,728,757	3,936,815	3,604,728	3,703,419
19,262,675	17,171,094	13,960,569	14,981,977	13,325,625	14,065,311
<b>\$ 128,655,680</b>	<b>\$ 127,824,170</b>	<b>\$ 128,581,372</b>	<b>\$ 129,690,863</b>	<b>\$ 127,408,979</b>	<b>\$ 128,677,661</b>

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>EXPENSES</b>				
<b>Governmental Activities:</b>				
General Government	\$ 4,358,626	\$ 3,272,322	\$ 3,302,713	\$ 4,143,355
Building & Planning	1,047,587	1,548,912	1,322,446	1,158,233
Public Safety	10,957,916	10,471,622	10,197,832	10,080,372
Public Works	8,122,136	6,106,205	5,529,289	7,175,142
Capital Outlay	-	-	-	-
Principal Retirement	-	-	-	-
Interest Expense	215,709	235,709	255,002	273,645
Total Governmental Activities Expenses	<u>24,701,974</u>	<u>21,634,770</u>	<u>20,607,282</u>	<u>22,830,747</u>
<b>PROGRAM REVENUES</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	311,216	146,573	3,878	246,938
Building and Planning	927,060	856,765	750,545	650,298
Public Safety	181,480	211,402	218,946	216,076
Public Works	54,502	54,895	60,665	79,086
Operating Contributions and Grants	4,507,464	4,904,204	4,289,475	3,996,755
Capital Contributions and Grants	853,652	910,335	2,364,376	74,394
Total Governmental Activities Program Revenues	<u>6,835,374</u>	<u>7,084,174</u>	<u>7,687,885</u>	<u>5,263,547</u>
<b>Total Net Revenues (Expenses)</b>	<u>\$ (17,866,600)</u>	<u>\$ (14,550,596)</u>	<u>\$ (12,919,397)</u>	<u>\$ (17,567,200)</u>
<b>GENERAL REVENUES AND OTHER</b>				
<b>CHANGES IN NET POSITION</b>				
<b>Governmental Activities:</b>				
Taxes:				
Property Taxes	\$ 8,657,981	\$ 8,147,963	\$ 7,946,855	\$ 7,683,778
Sales Taxes	8,374,788	8,498,568	7,713,518	6,729,367
Real Property Transfer Taxes	294,734	491,610	433,781	289,637
Unrestricted intergovernmental revenue	49,149	55,664	35,787	38,750
Motor Vehicle in-lieu tax, unrestricted intergovernmental	-	-	-	-
Franchise fees	1,655,107	1,520,928	1,381,407	1,379,572
Investment Income (loss)	635,831	(231,678)	50,640	516,497
Other	66,103	37,283	51,579	181,558
Total Governmental Activities	<u>19,733,693</u>	<u>18,520,338</u>	<u>17,613,567</u>	<u>16,819,159</u>
<b>Changes in Net Position</b>	<u>\$ 1,867,093</u>	<u>\$ 3,969,742</u>	<u>\$ 4,694,170</u>	<u>\$ (748,041)</u>

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

Source: City Finance Division, Annual Comprehensive Financial Report (2014-2023)



	2019	2018	2017	2016	2015	2014
\$	4,042,811	\$ 4,391,682	\$ 2,700,266	\$ 3,421,649	\$ 3,698,159	\$ 3,867,419
	1,211,945	1,136,247	1,090,593	1,169,254	998,296	1,056,954
	9,776,922	9,513,766	9,644,961	7,572,663	8,105,354	7,756,218
	6,159,832	5,978,125	6,162,890	4,718,605	7,521,705	5,523,014
	-	-	925	-	-	-
	-	-	967,536	-	-	-
	291,511	308,581	325,176	341,109	355,077	365,344
	21,483,021	21,328,401	20,892,347	17,223,280	20,678,591	18,568,949
	426,030	476,159	424,862	431,449	405,724	370,213
	673,447	744,275	660,136	786,225	556,526	603,515
	169,305	138,224	142,914	163,463	198,883	173,246
	66,913	42,663	83,792	59,890	50,079	50,058
	3,128,799	3,262,849	3,114,256	2,545,411	3,259,584	3,402,535
	162,896	12,927	-	-	-	-
	4,627,390	4,677,097	4,425,960	3,986,438	4,470,796	4,599,567
\$	(16,855,631)	(16,651,304)	(16,466,387)	(13,236,842)	(16,207,795)	(13,969,382)
\$	7,436,398	\$ 7,110,720	\$ 6,746,586	\$ 6,534,986	\$ 6,235,194	\$ 2,129,782
	7,109,635	6,658,452	6,669,064	6,809,341	6,037,535	6,022,595
	262,145	355,744	362,285	333,339	300,415	284,486
	23,678	25,583	-	-	-	-
	-	-	-	-	- *	3,773,829
	1,436,938	1,368,975	1,380,895	1,499,296	1,516,529	1,450,159
	571,340	284,016	147,992	103,995	66,916	59,131
	847,007	126,795	50,074	237,769	1,785,010	45,216
	17,687,141	15,930,285	15,356,896	15,518,726	15,941,599	13,765,198
\$	831,510	(721,019)	(1,109,491)	2,281,884	(266,196)	(204,184)

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>GENERAL FUND</b>					
Nonspendable	\$ 13,601	\$ 12,718	\$ 9,749	\$ 11,807	\$ 6,582
Restricted	-	-	-	-	-
Committed	98,349	30,000	45,220	50,004	240,059
Assigned	17,950,931	10,452,879	9,374,355	8,512,921	8,761,323
Unassigned	11,985,453	16,853,927	14,459,065	12,790,146	11,614,014
Total General Fund	<u>\$ 30,048,334</u>	<u>\$ 27,349,524</u>	<u>\$ 23,888,389</u>	<u>\$ 21,364,878</u>	<u>\$ 20,621,978</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Committed for encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for debt service	203	2	779	816	541
Restricted for public safety/public works	3,411,522	3,976,623	4,242,741	3,876,604	4,115,408
Assigned, Reported in:					
Capital Project Funds	173,546	-	-	-	204,157
Unassigned, Reported in:					
Capital Project Funds	-	(863)	(463,948)	(261,183)	-
CARES Fund	-	-	-	(358,369)	-
Total All Other Governmental Funds	<u>\$ 3,585,271</u>	<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, Annual Comprehensive Financial Report (2014-2023)

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>					
Taxes	\$ 17,327,503	\$ 17,138,141	\$ 16,094,154	\$ 14,702,782	\$ 14,808,178
Fees & Permits	2,303,847	2,120,009	1,926,093	1,768,147	1,832,117
Intergovernmental	5,770,808	6,274,181	6,654,963	3,746,966	3,401,017
Charges for Services	561,303	381,813	187,134	484,508	673,648
Investment Income (loss)	635,831	(231,678)	50,640	516,496	571,339
Fines, forfeits and penalties	181,480	211,525	218,946	216,076	169,305
Other	66,103	37,283	51,579	181,558	847,007
Total Revenues	<u>26,846,875</u>	<u>25,931,274</u>	<u>25,183,509</u>	<u>21,616,533</u>	<u>22,302,611</u>
<b>EXPENDITURES</b>					
Current:					
General Government	4,093,940	3,651,227	2,961,244	3,799,036	3,807,473
Building and Planning	1,667,209	1,592,214	1,441,307	1,142,984	1,203,090
Public Safety	10,957,916	10,471,622	10,197,832	10,080,372	9,776,922
Public Works	7,091,954	5,826,447	6,806,316	6,178,342	4,545,469
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal Retirement	505,000	490,000	470,000	455,000	514,343
Interest	222,537	242,438	261,596	280,138	297,838
Total Expenditures	<u>24,538,556</u>	<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>2,308,319</u>	<u>3,657,326</u>	<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	5,791,308	5,296,675	3,155,585	4,618,477	3,467,646
Transfers Out	(5,791,308)	(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>	<u>-</u>
Net Change in Fund Balances	<u>2,308,319</u>	<u>3,657,326</u>	<u>3,045,214</u>	<u>(319,339)</u>	<u>2,157,476</u>
Fund Balances, beginning of year	31,325,286	27,667,960	24,622,746	24,942,085	22,784,608
Fund Balances, end of year	<u>\$ 33,633,605</u>	<u>\$ 31,325,286</u>	<u>\$ 27,667,960</u>	<u>\$ 24,622,746</u>	<u>\$ 24,942,084</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES</b>					
	3.21%	3.61%	3.88%	3.52%	4.12%

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

Source: City Finance Division, Annual Comprehensive Financial Report (2014-2023)

	2018	2017	2016	2015	2014
\$	14,124,916	\$ 13,756,201	\$ 13,657,845	\$ 8,537,734	\$ 8,436,863
	2,156,495	2,557,778	2,196,437	2,043,835	2,556,767
	3,297,047	2,255,652	2,421,752	6,979,269	6,965,839
	691,596	747,230	747,093	652,998	666,155
	284,016	147,992	103,995	66,916	59,131
	138,224	142,914	163,463	198,883	173,246
	126,795	50,074	237,769	1,785,010	45,216
	<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>
	3,965,491	3,725,068	3,522,990	3,693,121	3,820,255
	1,132,872	1,078,723	1,150,918	993,466	1,048,181
	9,513,766	9,644,961	7,565,851	8,104,085	7,755,684
	4,765,369	5,825,294	4,508,164	5,060,120	3,627,789
	-	132,355	162,907	1,883,395	213,143
	1,268,655	1,372,536	385,000	370,000	430,000
	314,838	331,338	347,137	360,387	370,238
	<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>(141,902)</u>	<u>(2,452,434)</u>	<u>1,885,387</u>	<u>(199,929)</u>	<u>1,637,927</u>
	4,785,289	4,509,192	3,306,078	4,946,538	2,852,635
	(4,785,289)	(4,509,192)	(3,306,078)	(4,946,538)	(2,852,635)
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>(141,902)</u>	<u>(2,452,434)</u>	<u>1,885,387</u>	<u>(199,929)</u>	<u>1,637,927</u>
	22,926,510	25,378,944	23,493,557	23,693,486	22,055,559
\$	<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>
	7.83%	8.43%	4.68%	4.21%	4.73%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Apparel Stores	*	\$ 9,558	\$ 10,429	\$ 7,175
General Merchandise	*	49,935	49,409	45,864
Food Stores	*	37,020	35,753	37,775
Eating & Drinking Places:	*	113,151	104,384	80,946
Building Materials	*	54,016	54,492	56,395
Auto Dealers & Supplies	*	235,569	205,430	160,883
Service Stations	*	76,104	73,760	44,568
Other Retail Stores	*	49,622	54,944	49,286
All Other Outlets	*	232,322	220,516	79,122
<b>Total</b>	*	<u>\$ 857,298</u>	<u>\$ 809,115</u>	<u>\$ 562,014</u>
<b>City Direct Sales Tax Rate</b>	7.75%	7.75%	7.75%	7.75%

\*Data for fiscal year 2022-2023 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

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 9,306	\$ 9,406	\$ 9,559	\$ 9,789	\$ 9,995	\$ 9,956
52,333	55,233	55,115	56,266	56,123	56,412
33,224	32,783	32,031	30,292	29,608	28,610
89,902	87,860	84,799	80,362	76,320	72,361
52,344	51,234	52,316	48,524	45,725	44,599
168,302	172,104	166,244	147,301	140,386	131,188
56,547	53,504	46,999	43,453	50,918	59,997
56,722	65,026	66,534	71,033	74,800	69,734
86,370	90,430	77,980	91,816	82,178	73,244
<b>\$ 605,050</b>	<b>\$ 617,579</b>	<b>\$ 591,578</b>	<b>\$ 578,836</b>	<b>\$ 566,054</b>	<b>\$ 546,102</b>
7.75%	7.75%	7.75%	8.0%	8.0%	8.0%

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

<b>Fiscal Year</b>	<b>Sales and Use Tax</b>	<b>Property Tax</b>	<b>Real Property Transfer</b>	<b>Total</b>
2023	\$ 8,374,788	\$ 8,657,981	\$ 294,734	\$ 17,327,503
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

Source: City Finance Division, Annual Comprehensive Financial Report (2014-2023)



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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Miscellaneous Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Rate</b>
2023	\$ 8,427,423,504	\$ 707,649,873	\$ 604,327,967	\$ 256,689,649	-	\$ 9,996,090,993	2.98%
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%

(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>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>
<b>Basic Levy<sup>1,5</sup></b>	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00691	0.00727	0.00756	0.00745
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	0.02227	0.02200	0.02336	0.02295
Santa Margarita Water District	0.08140	0.08710	0.09390	0.61040
<b>Total Direct &amp; Overlapping<sup>2</sup> Tax Rates</b>	<b>1.11758</b>	<b>1.12337</b>	<b>1.13182</b>	<b>1.64780</b>
<b>City's Share of 1% Levy Per Prop 13<sup>3</sup></b>	0.02978	0.02978	0.02978	0.02978
<b>Total Direct Rate<sup>4,6</sup></b>	0.02981	0.02979	0.02980	0.02976

**Notes:**

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

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

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

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

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

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

Source: Orange County Assessor 2013/14 - 2022/23 Tax Rate Table

<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00786	0.00800	0.00843	0.00845	0.00900	0.00972
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.02392	0.02365	0.02688	0.03008	0.02806	0.03207
0.62470	0.85900	0.88660	1.18070	2.05440	2.35710
<b>1.66348</b>	<b>1.89765</b>	<b>1.92891</b>	<b>2.22623</b>	<b>3.09846</b>	<b>3.40589</b>
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978
0.02976	0.02978	0.02978	0.02978	0.02978	0.02978

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

<b>Taxpayer</b>	<b>2022/23</b>			<b>2013/14</b>		
	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>
Applied Medical Reso. Corp	\$ 276,133,515	2.76%	1	\$ 158,602,620	2.34%	1
El Prado LLC	84,835,648	0.85%	2	73,226,733	1.08%	2
BEX Portfolio Inc*	74,643,920	0.75%	3	47,285,791	0.70%	4
Plaza El Paseo Center, LLC	61,829,246	0.62%	4			
Villa La Paz Partners LP	45,056,162	0.45%	5	38,636,754	0.57%	5
RSM Antonio Associates	40,635,227	0.41%	6			
EQR-Skyview LP	39,559,486	0.40%	7	34,063,471	0.50%	7
CPI-GREP AA-Buena Vida Owner LLP	38,232,964	0.38%	8			
Cox Communications	37,320,050	0.37%	9	57,217,036	0.85%	3
VR RSM Two LLC	33,856,211	0.34%	10			
FG Rancho Santa Margarita LP				25,069,536	0.37%	10
KRC Santa Margarita**				25,597,641	0.38%	8
Antonio Acquisition Company				36,068,138	0.53%	6
Crescent LP				25,343,791	0.37%	9
California Dove Canyon LLC						
Totals	<u>\$ 732,102,429</u>	<u>7.32%</u>		<u>\$ 521,111,511</u>	<u>7.70%</u>	

\* Previously known as BRE Properties

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

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

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

<b>Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Total Tax Collections</b>	<b>Percentage of Levy</b>
2023	\$ 2,902,554	\$ 2,855,229	98.37%	\$ 14,675	\$ 2,869,904	98.88%
2022	2,741,543	2,695,791	98.33%	19,618	2,715,409	99.05%
2021	2,679,349	2,639,033	98.50%	14,392	2,653,425	99.03%
2020	2,589,778	2,544,699	98.26%	16,230	2,560,929	98.89%
2019	2,500,759	2,455,671	98.20%	14,077	2,469,748	98.76%
2018	2,379,744	2,339,536	98.31%	13,463	2,352,999	98.88%
2017	2,252,964	2,217,196	98.41%	15,584	2,232,780	99.10%
2016	2,180,731	2,136,300	97.96%	15,343	2,151,643	98.67%
2015	2,071,571	2,006,282	96.85%	15,250	2,021,532	97.58%
2014	1,943,941	1,894,716	97.47%	21,493	1,916,209	98.57%

Source: O.C. Auditor-controller, City Finance Division, Annual Comprehensive Financial Report (2014-2023)

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Lease Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Total Governmental Activities</b>	<b>As % of Personal Income <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
2023	\$ -	\$ 7,155,952	-	\$ 7,155,952	0.27%	152.04
2022	-	7,688,186	-	7,688,186	0.29%	162.61
2021	-	8,205,420	-	8,205,420	0.31%	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

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

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

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

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Total General Obligation Bonds</b>	<b>Less Debt Service Fund <sup>(1)</sup></b>	<b>Net Bonded Debt</b>	<b>Percent of Debt to Assessed Value <sup>(2)</sup></b>	<b>Debt per Capita</b>
2023	47,066	-	-	-	0.00%	-
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%	-

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

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

**City of Rancho Santa Margarita**  
**Direct and Overlapping Bonded Debt**  
**June 30, 2023**

2022-23 Assessed Valuation                   \$    9,997,272,488

	<b>Total Debt 6/30/2023</b>	<b>% Applicable (1)</b>	<b>City's Share of Debt 6/30/23</b>
<b>Overlapping Tax and Assessment Debt</b>			
Metropolitan Water District	\$ 19,215,000	0.275%	\$ 52,841
Capistrano Unified School District Facilities Improvement District No. 1	10,033,567	1.283%	128,731
Saddleback Valley Unified School District	83,545,000	13.211%	11,037,130
Santa Margarita Water District Improvement Districts	27,380,000	0.525 - 99.935%	9,147,262
<b>Total Overlapping Tax And Assessment Debt</b>			<b>\$ 20,365,964</b>
 <b>Direct and Overlapping General Fund Debt</b>			
Orange County General Fund Obligations	451,165,000	1.379%	6,221,565
Orange County Board of Education Certificates of Participation	10,860,000	1.379%	149,759
Capistrano Unified School District Certificates of Participation	21,360,000	3.094%	660,878
City of Rancho Santa Margarita General Fund Obligations	6,870,000	100%	6,870,000
<b>Total Direct and Overlapping General Fund Debt</b>			<b>\$ 13,902,202</b>
 Total Direct Debt			6,870,000
Total Overlapping Debt			27,398,166 <sup>(2)</sup>
 <b>Combined Total Debt</b>			<b>\$ 34,268,166</b>

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

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

**Ratios to 2022-23 Assessed Valuation**

Direct Debt (\$6,870,000)	0.07%
Total Direct and Overlapping Tax and Assessment Debt	0.20%
Combined Total Debt	0.34%

Source: HdL Companies



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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assessed Valuation	\$ 10,298,411,369	\$ 9,777,605,219	\$ 9,540,829,358	\$ 9,234,200,835
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 2,574,602,842	\$ 2,444,401,305	\$ 2,385,207,340	\$ 2,308,550,209
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 386,190,426	\$ 366,660,196	\$ 357,781,101	\$ 346,282,531
Total Net Debt Applicable to Limit: General Obligation Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 386,190,426</u>	<u>\$ 366,660,196</u>	<u>\$ 357,781,101</u>	<u>\$ 346,282,531</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit		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

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 8,641,623,471	\$ 8,247,807,523	\$ 7,872,062,542	\$ 7,572,054,981	\$ 7,230,177,009	\$ 6,765,168,304
25%	25%	25%	25%	25%	25%
\$ 2,160,405,868	\$ 2,061,951,881	\$ 1,968,015,636	\$ 1,893,013,745	\$ 1,807,544,252	\$ 1,691,292,076
15%	15%	15%	15%	15%	15%
\$ 324,060,880	\$ 309,292,782	\$ 295,202,345	\$ 283,952,062	\$ 271,131,638	\$ 253,693,811
-	-	-	-	-	-
<u>\$ 324,060,880</u>	<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>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income <sup>(1)</sup> (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Income per Household</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2023	47,066	\$ 2,696,946	\$ 57,301	\$ 135,350	39.7	9,267	2.90%
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%

(1) Estimated for 2023

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

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

<b>Employer</b>	<b>2023</b>		<b>2014</b>	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
Applied Medical	2,400	12.08%	1,698	10.49%
Cox Communications		*	783	4.84%
O'Connell Landscape	1,000	5.03%	1,033	6.38%
Saddleback Valley School District	288	1.45%	344	2.13%
Lucas & Mercier Construction	250	1.26%	300	1.85%
Control Components Inc. (CCI)	365	1.84%	268	1.66%
Target Corporation	175	0.88%	200	1.24%
Car Sound Exhaust System, Inc.	150	0.75%	207	1.28%
Capistrano Unified School District	136	0.68%	154	0.95%
PADI	200	1.01%	200	1.24%
Santa Margarita Catholic H.S.	265	1.33%	207	1.28%
Kohls	85	0.43%	110	0.68%
Control Components, Inc	365	1.84%		*

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	
City Manager Full-Time	3.50	3.50	3.50	3.50	3.00	3.00	3.00	3.00	2.50	1.50
City Clerk Full-Time	2.00	2.00	2.00	2.00	2.50	2.50	2.80	2.80	2.80	3.40
Human Resources Full-Time	1.00	1.00	1.00	1.00	1.20	1.20	1.00	2.00	2.00	2.00
Finance Full-Time	4.60	4.60	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.58
Police Services Full-Time	-	-	-	-	-	-	-	1.00	1.00	1.00
Bldg./Planning Full-time	6.00	6.00	6.00	6.00	5.60	5.60	5.60	5.60	5.60	3.85
Engr./Pub. Works Full-Time	5.86	5.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	3.50
Comm. Services Full-Time	7.07	7.07	6.66	2.51	6.40	6.40	6.40	6.40	6.40	6.37
<b>Total</b>	<b>30.03</b>	<b>29.17</b>	<b>27.46</b>	<b>23.31</b>	<b>27.00</b>	<b>27.00</b>	<b>27.10</b>	<b>29.10</b>	<b>28.60</b>	<b>25.20</b>

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 2022-2023

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

<b>FUNCTION</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
General Government										
Civic Center Building	1	1	1	1	1	1	1	1	1	1
Police Services										
Support Vehicles	1	1	1	1	1	1	1	1	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (Miles)	99	99	99	99	99	99	99	99	99	99
Traffic Signals	159	159	159	159	159	159	159	159	159	159
Community Services										
Dog 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	1	-	-	-	-	-	-	-	-

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

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

<b>FUNCTION</b>	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>General Government</b>				
Financial Reports & Audits Completed	137	138	141	132
Checks/Wire Transfers	2,313	2,400	2,407	2,396
<b>Police Services</b>				
Physical Arrests	244	187	165	202
Parking Citations	1,413	1,415	1,320	1,261
Traffic Citations	2,085	2,068	1,366	1,590
<b>Public Works</b>				
Street Paving (miles)	4.3	9.78	8.50	11.63
Sidewalks replaced (sq. ft.)	8,257	3,644	5,235	5,050
Curb refurbished (linear feet)	4	40	73	33
Traffic signs replaced/installed	236	220	460	216
Pavement Condition Index (70 = min. acceptable)	83.7	83.2	83.8	85.4
<b>Building and Planning</b>				
Building Permits Issued	1,870	1,855	1,675	1,396
Building Inspections Completed	4,004	4,414	4,031	3,361
Plan Checks Performed	993	1,337	1,023	817
<b>Community Services</b>				
Recreational & Instructional Classes Offered	200	200	100	500
Senior Mobility Rides	2,637	350	325	417
Community Events Attendance	20,000	20,000	200	20,000
Community Magazine Publications	3	3	-	2

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



<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
121	220	109	111	106	117
2,576	2,535	1,654	1,482	1,670	1,768
292	326	327	282	329	377
1,601	1,689	1,722	1,502	1,365	1,042
1,951	188	143	136	402	1,469
11.05	26.53	8.44	8.07	9.45	23.00
7,513	270	7,225	6,358	10,832	4,809
42	21	300	24,953	14,953	280
459	571	353	322	337	262
83.2	82.5	78.6	81.6	81.5	81.5
1,499	1,572	1,538	1,671	1,279	1,051
3,641	3,432	3,048	3,422	2,515	2,278
193	285	337	413	328	279
825	825	825	825	825	775
782	335	300	990	989	939
20,000	21,000	20,000	19,000	18,000	18,000
3	3	3	3	3	3

**City of Rancho Santa Margarita  
Miscellaneous Statistics  
June 30, 2023**

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:	47,066
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*