

City of
Rancho Santa Margarita,
California



Annual Comprehensive Financial Report

For the Year Ending June 30, 2024



Annual Comprehensive Financial Report

For the Year Ended June 30, 2024

Finance Division

City of Rancho Santa Margarita, California

City Council



Carol A. Gamble
Mayor



Bradley J. McGirr
Mayor Pro Tempore



L. Anthony Beall
Council Member



Anne D. Figueroa
Council Member



Jerry Holloway
Council Member

City of Rancho Santa Margarita, California

**CITY OF RANCHO SANTA MARGARITA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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Introductory Section

Rancho Santa Margarita, California



CITY OF RANCHO SANTA MARGARITA

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949.635.1800 • fax 949.635.1840 • www.cityofrsm.org

December 18, 2024

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 2023-24. 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 30th end of the fiscal year. The accounting firm of Davis Farr, LLP was contracted by the City Council to perform the annual audit. As part of the City's annual audit, detailed examinations were made of the City's financial records and reports to verify their accuracy as well as to determine that the City has complied with applicable laws and regulations. In addition, procedures were performed to determine the adequacy of the internal control 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.

Mayor Carol A. Gamble	Mayor Pro Tempore Bradley J. McGirr	Council Member L. Anthony Beall	Council Member Anne D. Figueroa	Council Member Jerry Holloway	City Manager 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 2024, 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, 2024, includes all 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. On October 11, 2023, the City adopted ordinance No. 23-02 which implemented a district-based municipal election system. With this election system, Council Members from four Council districts are based on established boundary lines, with the Mayor elected at-large. The City Council is comprised of five members elected by-district for staggered four-year terms of office. The mayor pro-tempore is selected by the Council from among its members to serve a one-year term. 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 2024 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 Safewise and Moving Waldo, two city ranking firms, 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 2024 crime statistics from the California Department of Justice (DOJ) indicated no changes violent crimes, along with a decrease in property crimes in comparison 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 2nd Battalion, 5th 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 2023 and 2024 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, 2024, 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 2023/24 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 77% 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. Based on these assumptions, there has been some shift of disposable income spent toward non-taxable services and activities. Much of the increase in sales tax is from the City's largest sector, Autos and Transportation, despite continued higher interest rates. Also, the City's share of the countywide pool was up, even as sales tax shifted from the countywide pools to those local agencies with online fulfillment centers. On the other hand, an industry affected 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.

Most economists project the economy will experience below trend growth as elevated interest rates will dampen personal consumption, housing, and business investment levels in 2024. However, they are expected to return to trend growth toward the end of 2025. 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. Overall, the national, state, and local economies are expected to experience below-trend growth, and inflation will continue to be adjusted slowly by higher interest rates; the consensus is projecting no recession as there are other aspects of the economy that are displaying robust growth, specifically in retail sales, durable goods orders and factory construction spending.

Housing affordability in Orange County continues to be a concern as higher mortgage rates lead to higher monthly mortgage payments, making it harder for some buyers to afford the homes they want. This could result in lower demand for homes and potentially, a decline in home prices. As of December 2023, the median home prices in Orange County were approximately \$1.3 million, up 14.9 percent year-over-year. Despite maintaining price levels, sales of existing homes in Orange County experienced a decline, as sales in December 2023 were down 8.1 percent. Although factors indicate a seller's market, it is also important to consider shifts in market dynamics. Therefore, with the possibility of changing interest rates, economic conditions, and housing supply, the forecast for the Orange County housing market remains uncertain. However, when it comes to forecasting home prices and the number of homes sold, it really depends on the county and the city. December's home sales for all of California were relatively flat as a shortage of homes for sale and high costs of borrowing continue to have a negative impact on housing inventory and demand. Economic impacts to property tax tend to lag as the property tax roll is assessed and billed in arrears. The annual CPI adjustment was set at the maximum 2% in FY 2023/24, which is expected for FY 2024/25 as well.

LOCAL ECONOMY

Although California's unemployment rate was estimated at 5.3% in September 2024, Orange County's rate has been consistently lower and was estimated at 4.10% according to the latest available data by the California Employment Development Department. Rancho Santa Margarita is comprised 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 77% 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 2023/24 totaled \$25.8 million, compared to \$22.8 million in the prior year. The increase is attributable to growth in property tax, the use of American Rescue Plan Act funds, 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 2023/24 using both operational revenues and federal funds from ARPA. General Fund revenues were estimated to total \$24.5 million, which included \$2.03 million in ARPA funds. Expenditures totaled \$21.8 million and provided funding to maintain service levels, as well as providing 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 a significant increase in investment income that was not anticipated during the preparation of the FY 2023/24 budget.

LONG TERM FINANCIAL PLANNING

As of June 30, 2024, the City has a General Fund balance of \$34 million. The balance includes \$14.7 for Council Strategic, \$2.1 million for Information Technology, \$.895 million for the planned pay down of the City's CalPERS Unfunded Accrued Liability, as well as \$2.7 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 \$13.6 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 2023/24 budget was prepared with a positive operating surplus using the best estimates and knowledge of the current financial climate. The FY 2023/24 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 previous 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 3.36% increase approved by City Council on May 8, 2024, to be effective July 8, 2024.

MAJOR INITIATIVES

Capital Improvement Projects

FY 2023/24 Capital Improvement Plan budget included twenty-three proposed projects, totaling \$6.20 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. CIRA grant funds were used toward upgrades of the building access card system at both City Hall and the Bell Tower Regional Community Center (BTRCC). Additional facility projects included the City Hall and BTRCC entryway enhancements, replacement of the City Hall uninterruptable power supply (UPS), and the interior LED lighting conversion project, that will begin in FY 2024/25. 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 Implementation and Rezoning Program

The Housing Element Implementation and Rezoning Program will implement the policies in the 2021-2029 Housing Element. The program involves updates to the General Plan Land Use Element, adoption of a new Mixed-Use Zone and Workforce Housing Overlay, application of the Mixed-Use Zone and Workforce Housing overlay to specific properties, adoption of Objective Development Standards for Multi-family and Mixed-Use development, new Housing Development Project Special Regulations, and various updates to other Zoning Code Sections to insure internal consistency. The project was substantially completed within the 2023-24 Fiscal Year and was adopted by the City Council in August 2024.

Circulation Element Update

The Circulation Element is the final element in the comprehensive General Plan Update. Work on the update began in September 2023 and continued throughout 2024 with anticipated adoption of the Circulation Element Update in January 2025.

Local Hazard Mitigation Plan Update

The City's FEMA-approved 2019 Local Hazard Mitigation Plan (LHMP) is due to be updated in 2024. The City has received grant funding from Cal OES for this project and hired a consultant to prepare the update. Work on the project began in early 2024 and it is anticipated that the updated

LHMP will be submitted to Cal OES and FEMA for review in December 2024, with City Council approval to follow.

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, 2023. 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, 2024.

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**

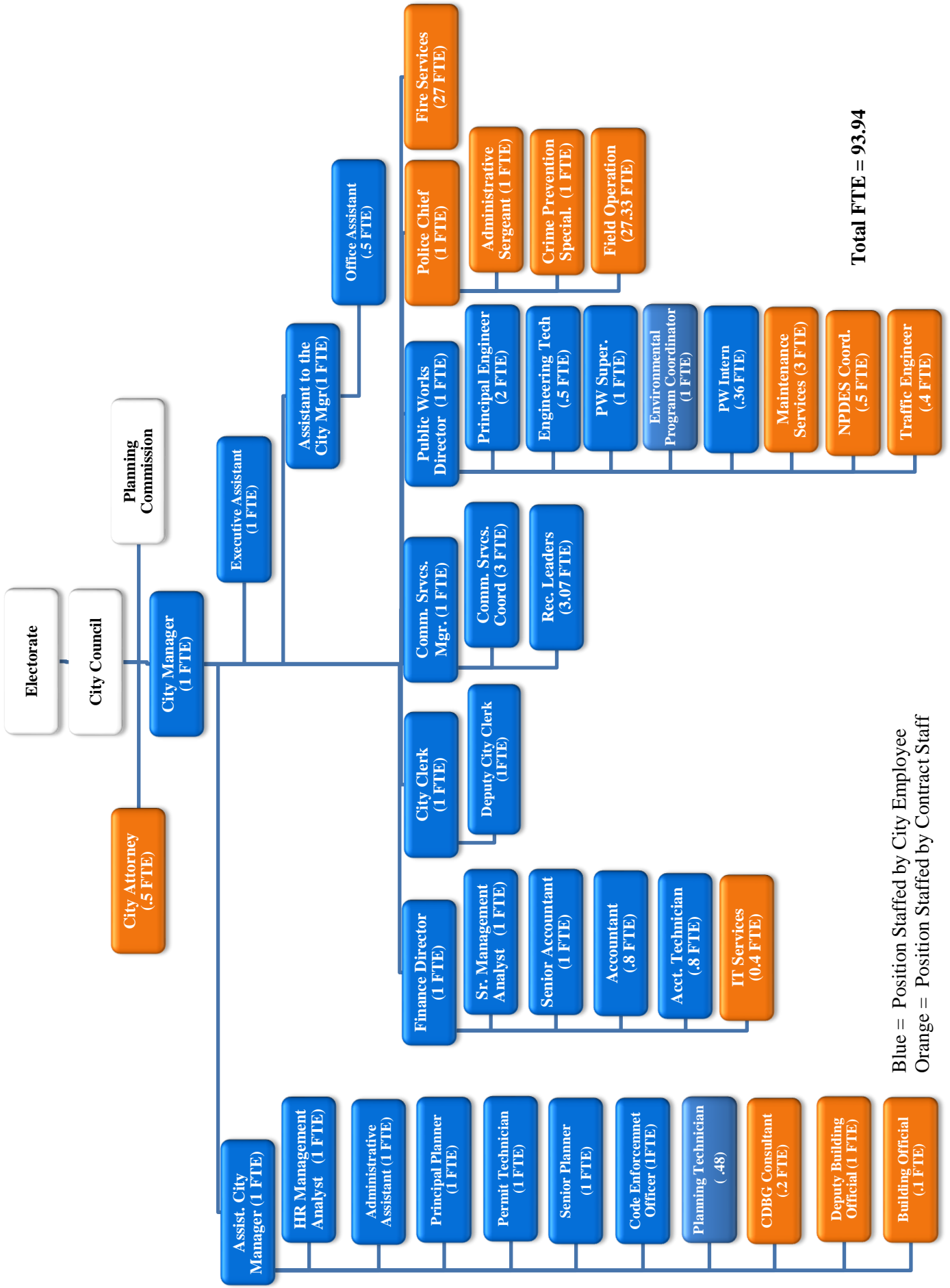
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

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



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

CAROL A. GAMBLE
Mayor

BRADLEY J. MCGIRR
Mayor Pro Tempore

L. ANTHONY BEALL
Council Member

ANNE D. FIGUEROA
Council Member

JERRY HOLLOWAY
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
Joe Parco, 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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December

11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 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 18, 2024 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.

Davis Farr LLP

Irvine, California
December 18, 2024

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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, 2024. 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, on June 30, 2024, by \$142.0 million (*net position*). Of this amount, \$31.6 million (*unrestricted net position*) may be used to meet the government’s ongoing obligations to citizens and creditors. Legal and contractual obligations restrict \$4.4 million of net position for specific City programs. Investment in capital assets totals \$106.0 million.
- The government’s total net position increased by \$3.6 million during the fiscal year ended June 30, 2024. Revenues increased by \$3.0 million. The “Other” revenue decreased by \$0.019 million due to the net of an increase in sponsorship revenues offset by fewer reimbursements due to damage claims over the fiscal year. Sponsorship revenue reflected a significant increase as sponsorship revenues have continued to grow and improve over the last two years. Sales Tax increased by \$0.11 million as various categories, including Auto and Transportation, performed well even though consumer spending remained cautious due to the uncertainty of a recession. Although, in the prior 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, the Countywide Pool remains strong. Property tax revenue, including Property Tax in lieu of VLF, and Property Transfer Tax revenue, increased \$0.34 million; fees and intergovernmental revenue was slightly up from year to year; operating grants and contributions increased \$1.48 million, while investment revenue increased significantly by \$1.0 million due to interest rate adjustments by the Federal government to address inflation. Capital grants and contributions reflect a slight increase of \$.03 million, as well as charges for services experienced an increase of \$0.03 million. The increase from the prior year in total government expenses is \$1.28 million which stems from an increase in expenditures related to the Orange County Sheriff’s Department (OCSd) contract increases based on the salary and benefits changes approved and adopted by the Orange County Board of Supervisors, as well as the purchase of a recyclist tracking software, and an increase in General Fund reserves used toward planned capital projects such as the replacement of the uninterruptible Power Supply (UPS), interior painting, staining and sealing of the exterior wood and the Entryway Enhancement Project at City Hall and the BTRCC.

- As of June 30, 2024, the City’s governmental funds reported combined ending fund balances of \$38.6 million, an increase of \$4.9 million in comparison with the prior year. Approximately 11.5 percent, or \$4.4 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*), and 88.5 percent, or \$34.2 million is available for other spending purposes at the City Council’s discretion (*assigned, unassigned fund balance*).
- As of June 30, 2024, the City’s General Fund totaled \$34.0 million. Of the total fund balance, \$0.041 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$20.4 million and unassigned fund balance of \$13.6 million. This portion of General Fund totaled \$34.0 million, which equaled 155 percent of total General Fund expenditures including transfers out for the fiscal year ended June 30, 2024. Although available, the City Council has classified this \$34.0 million for specific purposes, including emergencies.
- The City’s total long-term liabilities decreased slightly by \$.09 million (.789 percent) during the current fiscal year. This decrease is the net effect of the payment made for principal retirement on Lease Revenue Refunding Bonds in October 2023, offset by the increase in Net Pension Liability and 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 (75 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, 2024 and 2023
(in thousands)

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Assets:		
Current and other assets	\$ 40,751	\$ 38,568
Capital assets	<u>112,362</u>	<u>113,899</u>
Total assets	<u>153,113</u>	<u>152,467</u>
 Deferred Outflows of Resources:	 <u>2,027</u>	 <u>1,802</u>
 Liabilities:		
Long-term liabilities	10,692	10,777
Other liabilities	<u>2,143</u>	<u>4,941</u>
Total liabilities	<u>12,835</u>	<u>15,718</u>
 Deferred Inflows of Resources:	 <u>281</u>	 <u>112</u>
 Net Position:		
Net investment in capital assets	105,984	106,993
Restricted	4,390	3,412
Unrestricted	<u>31,650</u>	<u>28,034</u>
Total net position	<u>\$ 142,024</u>	<u>\$ 138,439</u>

During the fiscal year ended June 30, 2024, net position of the City increased 2.6 percent to \$142.0 million, of which \$106.0 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$4.4 million is restricted for fulfillment of specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$31.6 million, an increase of 12.9 percent from the prior year's total of \$28.0 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, 2024 and 2023
(in thousands)

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Revenues		
Program revenues:		
Charges for service	\$ 1,508	\$ 1,474
Operating grants and contributions	6,582	5,099
Capital grants and contributions	293	262
General revenues:		
Property taxes	9,293	8,953
Sales taxes	8,483	8,375
Fees and intergovernmental	1,742	1,704
Other revenues	47	66
Investment revenue (loss)	1,621	636
Total revenues	<u>29,569</u>	<u>26,569</u>
Expenses		
General government	5,035	4,359
Building and planning	1,527	1,047
Public safety	11,748	10,958
Public works	7,479	8,122
Interest expense	195	216
Total expenses	<u>25,984</u>	<u>24,702</u>
Excess (deficit) of revenues over expenses	<u>3,585</u>	<u>1,867</u>
Increase (Decrease) in net position	3,585	1,867
Beginning net position	<u>138,439</u>	<u>136,572</u>
Ending net position	<u><u>\$ 142,024</u></u>	<u><u>\$ 138,439</u></u>

Overall, Citywide revenues for the fiscal year ended June 30, 2024, increased by \$3.0 million a 11.3 percent increase over the prior year. Property tax revenue increased by \$0.34 million and sales tax revenue increased by \$0.11 million due to steady sales in various sales tax categories including Autos and Transportation and the Countywide Pool. Other revenue decreased by \$0.019 million due to the net of an increase in sponsorship revenues offset by fewer reimbursements due to damage claims over the fiscal year. Investment revenue increased by \$1.0 million due to interest rate adjustments by the Federal government to address inflation.

- Total program revenues of \$8.4 million were 28 percent of total revenues.
- Total general revenues of \$21.2 million were 72 percent of total revenues.

Total related expenses increased by \$1.28 million, a 5.2 percent increase from the prior year. Public Works expenses, which account for 29 percent of the total expenses, were used for street renovation and repair projects throughout the City, traffic signal equipment upgrades and enhancements, third year of the required five-year maintenance plan on the Santa Margarita Parkway Bridge Hinge Repair project, design stages on the SMP Bridge (Eastbound) and Antonio Parkway Bridge, as well as, improvements to both City Hall and the BTRCC, including interior painting, exterior wood staining, and entryway enhancements. Public Safety expenses accounted for 45 percent of total current expenses. General Government expenses account for 19 percent of total expenses, which is 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 costs within Police Services. The increase in Police Services stems from an increase in expenditures related to the Orange County Sheriff's Department (OCSO) contract increases based on the salary and benefits changes approved and adopted by the Orange County Board of Supervisors during the fiscal year.

Financial Analysis of the Government's Funds

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

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

As of June 30, 2024, the City's governmental funds reported total combined ending fund balances of \$38.6 million, an increase of \$4.98 million from the prior year. Approximately 53 percent of the City's governmental funds ending fund balances, or \$20.6 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 35 percent of the City's governmental funds ending fund balances, or \$13.6 million, constitutes *unassigned fund balance*, which is available for spending at the government's direction. *Restricted fund balance* of \$4.4 million, or 11.4 percent is available to: 1) pay debt service and 2) use for specific purposes as required by special revenue funds (\$4.39 million). The remainder of fund balance, \$0.041 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, 2024, assigned fund balance was \$20.4 million and unassigned fund balance of the general fund was \$13.3 million, while total fund balance was \$34.0 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 62.2 percent of the total General Fund expenditures including transfers. As mentioned above, however, the City Council has classified the assigned fund balance of \$20.4 million for specified purposes.

City of Rancho Santa Margarita
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2024 and 2023
(in thousands)

	<u>2024</u>	<u>2023</u>
Revenues		
Taxes	\$ 17,776	\$ 17,328
Fees and permits	2,325	2,304
Intergovernmental	739	715
Charges for service	478	561
Investment income (loss)	1,400	523
Fines, forfeits and penalties	297	181
Other	<u>47</u>	<u>66</u>
Total revenues	<u>23,062</u>	<u>21,678</u>
Expenditures		
General government	4,589	4,052
Building and planning	1,602	1,667
Public safety	11,595	10,822
Public works	<u>2,814</u>	<u>2,554</u>
Total expenditures	<u>20,600</u>	<u>19,095</u>
Excess (Deficit) of revenues over expenditures	2,462	2,583
Net transfers	<u>1,512</u>	<u>116</u>
Increase in Fund Balance	<u><u>\$ 3,974</u></u>	<u><u>\$ 2,699</u></u>

For the fiscal year ended June 30, 2024, the cash and investments balance in the General Fund was \$33.2 million, an increase of \$4.6 million compared to the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2024, increased by \$1.38 million, or 6.38 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 \$0.340 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 \$5.8 million of the \$17.7 million in overall taxes category.

- Sales tax revenues increased \$0.11 million, to \$8.5 million, as sales receipts in various categories fared well than expected, especially in the countywide pool due to steady revenue from online shopping.
- Other revenue decreased by \$0.019 million, to \$0.046 million, mostly due to the net of an increase in sponsorship revenues offset by fewer damage claim reimbursements.
- Investment Revenue increased by \$.877 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, 2024:

- General government expenditures increased by 13.2 percent to \$4.6 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 in Non-Departmental within the Information Technology expenditures due to new software subscriptions and equipment purchases. The expenditures include two software subscriptions, the first enables the ability to obtain solar building permits online and the second is for tracking the required recycling data under SB1383. The equipment is part of the installation of the new Voice over Internet Protocol (VOIP) phone system that will be completed in FY 2024/25. Community Services Departments Community Services also again 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 due to COVID-19 restrictions.
- Public safety expenditures increased by \$.77 million to \$11.6 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. However, the largest increase is related to the Orange County Sheriff's Department (OCSD) contract increases based on the salary and benefits changes approved and adopted by the Orange County Board of Supervisors during the fiscal year. The City's Animal Control costs reflect a slight decrease due to an offsetting prior year true-up credit against expenditures. Public safety expenditures were 56 percent of total General Fund expenditures.
- Public works expenditures increased by \$0.26 million, to \$2.8 million, due to the net effect of the Public Works administration experienced increased costs in salary and benefits due to the timing of staff recruitments between the fiscal years. This increase was offset slightly as there was an increase in staff time charged directly to various capital improvement projects in the CIP fund. Public Works also includes the cost associated with the completion of a speed study in FY 23/24. Street Maintenance reflects a decrease in costs for both general street maintenance and traffic signal maintenance; however, it also reflects a significant increase in special repairs expenditures that occur due to damage to City property and are usually reimbursed through insurance claims. Building maintenance was higher as there was an increase in maintenance costs at both City Hall and the Bell Tower Regional Community Center, an increase in utility costs due to higher utility rates, as well as participation in the refresh of SAMLARC's citywide holiday banner program.
- Building and planning expenditures decreased by \$0.065 million, to \$1.60 million, primarily related to the net decrease of a majority of the CDBG-CV funding was spent in the prior

year offset by the increased costs related to economic development, and the second phase of the staffing Housing Element Rezoning Program, Objective Development Standards, and related environmental review in FY 2023/24. Building costs were relatively flat due to steady applications for home improvement projects throughout the year; however, these costs were offset by an increase in building permit and fee revenue.

General Fund Budgetary Highlights

Differences between the General Fund expenditures/transfers out and the final amended budget were \$1.97 million and can be briefly summarized as follows:

- \$0.31 million in decreases allocated to general government activities.
- \$0.14 million in decreases allocated to building and planning activities.
- \$0.06 million in decreases allocated to public works activities
- \$0.60 million in decreases for public safety activities.
- \$0.86 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, timing of the approved OCSD salary and benefits contract as well as an overall 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 \$0.59 million. This increase stemmed from a budget amendment to increase the use of general funds for the Automated License Plate Readers (ALPR) camera project and to also increase funding for certain capital improvement projects (CIP). The cameras collect and scan license plate information into the ALPR system. This license plate information is integrated with law enforcement systems for the purpose of searching for crime leads. ALPR system/ALPR Safety Technology is an investigative tool used to assist investigators with tracking, arresting, and prosecuting suspects committing crimes in the City. The CIP amendments included the City Hall Entryway Enhancement project, design costs for the 241 Landscaping project, replacement of the uninterruptible power supply system, and additional costs toward the City Hall and BTRCC LED Lighting project. These amendments were funded by available General Fund reserves.

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 slightly from \$.174 to \$.199 million. This change in fund balance is due to the reimbursement of grant expenditures for all three bridge projects including the SMP Bridge Hinge repair (Westbound), the SMP Bridge (Eastbound) and the Antonio Bridge repair projects from Caltrans were not received within the City's revenue recognition period.

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 a zero balance as all the remaining funds were allocated

to qualifying expenditures during FY 2023/24 allowing the City to be in compliance with the grant expiration date of December 31, 2024.

Capital Asset and Debt Administration

Capital Assets

The City's net capital assets for its governmental activities, as of June 30, 2024, amount to \$112.3 million. The net capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's net capital assets for the current fiscal year was 1.35 percent.

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

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Governmental Activities:				
Total capital assets not being depreciated	\$ 97,178	\$ 745	\$ 612	\$ 97,311
 Total capital assets being depreciated	94,529	632	56	95,105
Total accumulated depreciation	(77,808)	(2,303)	(56)	(80,055)
Total capital assets, being depreciated, net	16,721	(1,671)	-	15,050
Governmental activities capital assets, net	\$ 113,899	\$ (926)	\$ 612	\$ 112,361

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

- Additions to construction in progress of \$.745 million included on-going projects for traffic signal enhancements and upgrades, Antonio Parkway Gateway Improvement, Skate Park renovations, on-going bridge projects, 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 entryway enhancement project, UPS equipment replacement, the building access card system upgrade, as well as the final costs associated with the HVAC unit replacement project.
- Infrastructure additions for the year totaled \$.518 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 \$.078 million stems from the completion of the entryway enhancement project between City Hall and the BTRCC, final costs associated with the HVAC replacement project at both City Hall and the BTRCC, as well as the replacement of the uninterruptible power supply equipment at City Hall.

- Machinery and Equipment additions include upgrades to the building access card system and the Council Chambers audio equipment. While disposals of \$0.056 million included the removal of fully depreciated and no longer in use information technology software and 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 2024 was an average of 84.1, or satisfactory. This average PCI was maintained since the last update in 2023. 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 \$6.3 million.

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

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024	Long- Term	Due Within One Year
Lease Revenue						
Refunding Bonds	\$ 6,870	\$ -	\$ 525	\$ 6,345	\$ 5,800	\$ 545
Bond premium	286	-	27	259	232	27
Compensated Absences	431	364	323	472	260	212
Long-Term Liabilities Total	<u>\$ 7,587</u>	<u>\$ 364</u>	<u>\$ 875</u>	<u>\$ 7,076</u>	<u>\$ 6,292</u>	<u>\$ 784</u>

Long-term debt-related events during the fiscal year ended June 30, 2024, included:

- Compensated absences liabilities increased to \$0.47 million and usage by employees amounted to \$0.32 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2024, totaled \$0.032 million.

Other long-term liability events during the fiscal year ending June 30, 2024, included:

- Other post-employment benefit liabilities, (OPEB) increased by \$0.152 million.
- The Net Pension Liability for Fiscal year 2023/24 had a net increase of \$.275 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 2024-2025 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, 2024

	Governmental Activities
Assets:	
Cash and investments (note 2)	\$ 37,554,700
Cash and investments with fiscal agent (note 2)	1,514
Receivables:	
Due from other governments	2,543,092
Accrued interest	265,129
Accounts, net	376,462
Prepaid items	10,548
Non-depreciable capital assets (note 4)	97,311,190
Capital assets, depreciated, net (note 4)	15,050,535
Total assets	<u>153,113,170</u>
Deferred Outflows of Resources:	
Deferred amount on refunding, net of accumulated amortization	225,839
Deferred amounts on OPEB (note 7)	443,150
Deferred amounts on pension plan (note 6)	1,358,004
Total deferred outflows of resources	<u>2,026,993</u>
Liabilities:	
Accounts payable	1,704,407
Wages payable	161,224
Unearned revenue	49,631
Retentions payable	37,462
Deposits	158,443
Interest payable	31,906
Long-term liabilities:	
Due within one year (note 5)	757,286
Due within one year - Bond Premium (note 5)	27,233
Due within one year - OPEB (note 7)	13,244
Due in more than one year	6,290,946
Other Post-Employment Benefits (OPEB) Liability (note 7)	1,013,889
Net Pension Liability (note 6)	2,589,794
Total liabilities	<u>12,835,465</u>
Deferred Inflows of Resources:	
Deferred amounts on pension plan (note 6)	68,703
Deferred amounts on OPEB (note 7)	212,211
Total deferred inflows of resources	<u>280,914</u>
Net position:	
Net investment in capital assets	105,983,845
Restricted for:	
Public safety	357,724
Public works	4,032,084
Unrestricted	31,650,131
Total net position	<u>\$ 142,023,784</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF RANCHO SANTA MARGARITA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

		Program Revenues			
		Charges for	Operating	Capital	Net
	<u>Expenses</u>	<u>Services</u>	<u>Contributions and Grants</u>	<u>Contributions and Grants</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 5,035,430	\$ 313,334	\$ 2,200,804	\$ -	\$ (2,521,292)
Building and planning	1,527,260	872,200	432,206	-	(222,854)
Public safety	11,747,607	297,217	194,192	-	(11,256,198)
Public works	7,478,536	24,986	3,754,838	293,412	(3,405,300)
Interest expense	194,977	-	-	-	(194,977)
Total governmental activities	<u>\$ 25,983,810</u>	<u>\$ 1,507,737</u>	<u>\$ 6,582,040</u>	<u>\$ 293,412</u>	<u>\$ (17,600,621)</u>

General revenues:

Taxes:

Property taxes	9,023,387
Sales taxes	8,483,197
Real property transfer taxes	269,620
Franchise fees	1,682,515
Investment income (loss)	1,621,216
Unrestricted intergovernmental revenues	59,227
Other	<u>46,599</u>

Total general revenues 21,185,761

Change in net position 3,585,140

Net position at beginning of year 138,438,644

Net position at end of year \$ 142,023,784

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, 2024**

Assets	General	Capital Projects	Grant Funds	Non-Major Governmental Funds	Totals
Cash and investments	\$ 33,155,732	\$ 627,208	\$ -	\$ 3,771,760	\$ 37,554,700
Cash and investments w/fiscal agent	-	-	-	1,514	1,514
Receivables:					
Due from other governments	1,686,761	199,476	-	629,716	2,515,953
Due from other governments - deferred	2,291	24,848	-	-	27,139
Accrued interest	229,655	-	-	35,474	265,129
Accounts, net	376,462	-	-	-	376,462
Prepaid items	10,548	-	-	-	10,548
Total assets	<u>\$ 35,461,449</u>	<u>\$ 851,532</u>	<u>\$ -</u>	<u>\$ 4,438,464</u>	<u>\$ 40,751,445</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,067,464	\$ 589,801	\$ -	\$ 47,142	\$ 1,704,407
Wages payable	161,224	-	-	-	161,224
Unearned revenue	49,631	-	-	-	49,631
Retentions payable	-	37,462	-	-	37,462
Deposits	158,443	-	-	-	158,443
Total liabilities	<u>1,436,762</u>	<u>627,263</u>	<u>-</u>	<u>47,142</u>	<u>2,111,167</u>
Deferred Inflows of Resources:					
Unavailable revenue from grants	<u>2,291</u>	<u>24,848</u>	<u>-</u>	<u>-</u>	<u>27,139</u>
Total deferred inflows of resources	<u>2,291</u>	<u>24,848</u>	<u>-</u>	<u>-</u>	<u>27,139</u>
Fund balance:					
Nonspendable: Prepaid items	10,548	-	-	-	10,548
Restricted for debt service	-	-	-	1,514	1,514
Restricted for public safety	-	-	-	357,724	357,724
Restricted for public works	-	-	-	4,032,084	4,032,084
Committed for self insurance	30,000	-	-	-	30,000
Assigned:					
Council projects/equipment/facilities	20,389,109	-	-	-	20,389,109
Capital projects working capital	-	199,421	-	-	199,421
Unassigned	<u>13,592,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,592,739</u>
Total fund balance	<u>34,022,396</u>	<u>199,421</u>	<u>-</u>	<u>4,391,322</u>	<u>38,613,139</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 35,461,449</u>	<u>\$ 851,532</u>	<u>\$ -</u>	<u>\$ 4,438,464</u>	<u>\$ 40,751,445</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, 2024**

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

Fund balances of governmental funds	\$	38,613,139
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Capital assets net of depreciation have not been included as financial resources in governmental funds		112,361,725
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Long term debt, accrued interest payable, compensated absences, and OPEB liability have not been included in the governmental funds:

Lease Revenue Refunding Bonds Payable		(6,345,000)
---------------------------------------	--	-------------

Bond Premium		(258,719)
--------------	--	-----------

Deferred Amount on Bond Refunding, net		225,839
--	--	---------

Accrued Interest Payable		(31,906)
--------------------------	--	----------

Compensated Absences Payable		(471,746)
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Other Post Employment Benefits (OPEB)

Deferred outflows of resources	443,150	
--------------------------------	---------	--

Deferred Inflows of resources	(212,211)	
-------------------------------	-----------	--

Other Post Employment Benefits (OPEB) Liability	(1,027,133)	
---	-------------	--

		(796,194)
--	--	-----------

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	1,358,004	
--------------------------------	-----------	--

Deferred inflows of resources	(68,703)	
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Net Pension Liability	(2,589,794)	
-----------------------	-------------	--

		(1,300,493)
--	--	-------------

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.

		27,139
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Net position of governmental activities	\$	142,023,784
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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, 2024**

	General	Capital Projects	Grant Funds	Non-Major Governmental Funds	Totals
Revenues:					
Taxes	\$ 17,776,204	\$ -	\$ -	\$ -	\$ 17,776,204
Fees and permits	2,324,891	-	-	-	2,324,891
Intergovernmental	738,510	434,384	2,054,327	3,800,025	7,027,246
Charges for services	477,769	-	-	-	477,769
Investment income (loss)	1,400,361	22,492	-	198,363	1,621,216
Fines, forfeits and penalties	297,217	-	-	-	297,217
Other	46,599	-	-	-	46,599
Total revenues	<u>23,061,551</u>	<u>456,876</u>	<u>2,054,327</u>	<u>3,998,388</u>	<u>29,571,142</u>
Expenditures:					
Current:					
General government	4,588,604	-	-	48,513	4,637,117
Building and planning	1,602,076	-	-	-	1,602,076
Public safety	11,594,838	-	-	152,769	11,747,607
Public works	2,813,785	2,674,984	-	389,102	5,877,871
Debt Service:					
Principal retirement	-	-	-	525,000	525,000
Interest	-	-	-	201,937	201,937
Total expenditures	<u>20,599,303</u>	<u>2,674,984</u>	<u>-</u>	<u>1,317,321</u>	<u>24,591,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,462,248</u>	<u>(2,218,108)</u>	<u>2,054,327</u>	<u>2,681,067</u>	<u>4,979,534</u>
Other financing sources (uses):					
Transfers in (note 3)	2,764,732	2,243,983	-	726,733	5,735,448
Transfers out (note 3)	<u>(1,252,918)</u>	<u>-</u>	<u>(2,054,327)</u>	<u>(2,428,203)</u>	<u>(5,735,448)</u>
Total financing sources (uses)	<u>1,511,814</u>	<u>2,243,983</u>	<u>(2,054,327)</u>	<u>(1,701,470)</u>	<u>-</u>
Net change in fund balances	3,974,062	25,875	-	979,597	4,979,534
Fund balances, beginning of year	<u>30,048,334</u>	<u>173,546</u>	<u>-</u>	<u>3,411,725</u>	<u>33,633,605</u>
Fund balances, end of year	<u>\$ 34,022,396</u>	<u>\$ 199,421</u>	<u>\$ -</u>	<u>\$ 4,391,322</u>	<u>\$ 38,613,139</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, 2024**

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

Net change in fund balances - total governmental funds	\$ 4,979,534
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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	709,179
Depreciation of Capital Assets	(2,246,330)

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)	525,000
Amortization of deferred loss on bond refunding	(23,773)
Amortization of premium on Refunding Bonds Issued	27,233
Accrued Interest Payable on long term debt (Lease Revenue Refunding Bonds)	3,500
Compensated Absences	(40,587)
Change in OPEB Liability and related deferred outflows and inflows of resources	(69,384)

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.	(277,040)
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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.	(2,192)
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Change in net position of governmental activities	\$ 3,585,140
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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, 2024**

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, 2024 (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, 2024 (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, 2024 (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, 2024 (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, 2024 (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, 2024 (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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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

(f) Encumbrances

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

(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).

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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

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.

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.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

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

- (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, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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	\$ 37,554,700
Cash and investments with fiscal agent	<u>1,514</u>
Total Cash and Investments	<u>\$ 37,556,214</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Cash and investments on June 30, 2024, consisted of the following:

Cash and Investments held by City:	
Deposits in banks or on hand	\$ 11,108,458
Certificate of Deposit	6,040,806
Local Agency Investment Fund (LAIF)	<u>20,405,436</u>
 Total Cash and Investments held by City	 <u>37,554,700</u>
 Cash and Investments held by Fiscal Agent:	
Money Market Mutal Fund	<u>1,514</u>
 Total Cash and Investments	 <u>\$ 37,556,214</u>

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	\$40,000,000
Local Government Investment Pool	N/A	None	\$40,000,000

* 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, 2024 (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, 2024 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment Type	Remaining Maturity (in Months)				
	Total Amount	0-12 Months	12-23 Months	24-35 Months	Greater than 36 Months
Local Agency Investment Fund (LAIF)	\$ 20,405,436	\$ 20,405,436	\$ -	\$ -	\$ -
Certificate of Deposit	6,040,806	6,040,806	-	-	-
Held by bond fiscal agent:					
Money Market Mutual Fund	1,514	1,514	-	-	-
Total	<u>\$ 26,447,756</u>	<u>\$ 26,447,756</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)	\$ 20,405,436	N/A	\$ -	\$ 20,405,436
Certificate of Deposit	6,040,806	N/A	-	6,040,806
Held by bond fiscal agent:				
Money Market Mutual Fund	1,514	AAA	1,514	-
Total	<u>\$ 26,447,756</u>		<u>\$ 1,514</u>	<u>\$ 26,446,242</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (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, 2024, 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, 2024 (CONTINUED)**

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers In and Out

Transfers in and out for the year ended June 30, 2024, are as follows:

	Transfers From:			
	General Fund	Grant Fund	Non-major Funds	Total
Transfers To:				
General Fund	\$ -	\$ 2,036,504	\$ 728,228	\$ 2,764,732
Capital Projects	526,185	17,823	1,699,975	2,243,983
Non-major Funds	726,733	-	-	726,733
Total Transfers	\$ 1,252,918	\$ 2,054,327	\$ 2,428,203	\$ 5,735,448

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

- The Transfer of \$2,036,504 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 \$728,228 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 \$526,185 from the General Fund to the Capital Projects Fund was to fund the interior painting at City Hall (\$26,923), staining and sealing of exterior wood at both City Hall and the BTRCC (\$51,540), a portion of the Traffic Signal Enhancement project (\$260,000), replacement of the uninterruptible power supply equipment (\$30,643), initial costs associated with the City Hall Interior LED Lighting Conversion project (\$15,723), initial design costs associated with the landscaping at SR-241 at Santa Margarita Parkway (\$33,792) and the Antonio Parkway Gateway improvement project (\$25,000), as well as, the entryway enhancements at between City Hall and BTRCC (\$82,564).
- The transfer of \$17,823 from the Grant Fund to the Capital Projects Fund was for the final costs associated with the HVAC Unit upgrades at City Hall and BTRCC.
- The transfer of \$1,699,975 from the Non-major Funds to the Capital Projects Fund was primarily to fund the various slurry seal and overlay road projects (\$1,272,118), various street rehabilitation and improvement projects (\$210,353) and other street, sidewalk repairs and maintenance throughout the city (\$25,494). The transfer also includes traffic signal and equipment upgrades of (\$160,935). The transfer includes the City's match of Gas Tax funds for various Bridge Repair projects (\$11,664), as well as costs towards the initial stages of the Antonio Parkway Gateway improvement project of (\$19,411).
- The transfer of \$726,733 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, 2024 (CONTINUED)

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
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	157,380	745,162	611,697	290,845
Infrastructure - pavement	46,766,726	-	-	46,766,726
Total capital assets not being depreciated	97,177,725	745,162	611,697	97,311,190
Capital assets being depreciated:				
Machinery & equipment	1,095,322	35,434	56,497	1,074,259
Buildings	19,246,704	78,066	-	19,324,770
Parks	2,855,251	-	-	2,855,251
Infrastructure - all others	71,332,131	518,710	-	71,850,841
Total capital assets being depreciated	94,529,408	632,211	56,497	95,105,122
Less accumulated depreciation:				
Machinery & equipment	952,161	67,902	56,497	963,566
Buildings	10,978,357	644,159	-	11,622,516
Parks	856,080	114,210	-	970,290
Infrastructure	65,021,659	1,476,555	-	66,498,214
Total accum. Depreciation:	77,808,257	2,302,827	56,497	80,054,587
Total capital assets being depreciated, net	16,721,151	(1,670,616)	-	15,050,535
Total capital assets, net	\$ 113,898,876	\$ (925,454)	\$ 611,697	\$ 112,361,725

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

General government	\$ 67,902
Public works	2,234,924
Total	\$ 2,302,827

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2024, was as follows:

	Balance at June 30, 2023	Additions	Reductions	Balance at June 30, 2024	Due Within One Year
Lease Revenue Refunding Bonds					
City Hall & Regional					
Community Center	\$ 6,870,000	\$ -	\$ 525,000	\$ 6,345,000	\$ 545,000
Bond premium	285,952	-	27,233	258,719	27,233
Compensated absences	431,159	363,571	322,984	471,746	212,286
Total Governmental					
Long-Term Liabilities	<u>\$ 7,587,111</u>	<u>\$ 363,571</u>	<u>\$ 875,217</u>	<u>\$ 7,075,465</u>	<u>\$ 784,519</u>

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

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

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 May 1 and November 1, commencing May 1, 2013. The outstanding balance at June 30, 2024, is \$6,345,000.

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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

The annual requirements to amortize the outstanding Lease Revenue Refunding Bonds, Series 2012A as of June 30, 2024, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 545,000	\$ 180,538	\$ 725,538
2026	570,000	158,238	728,238
2027	590,000	139,463	729,463
2028	610,000	124,081	734,081
2029	625,000	107,481	732,481
2030 -2034	3,405,000	257,794	3,662,794
Totals	<u>\$ 6,345,000</u>	<u>\$ 967,595</u>	<u>\$ 7,312,595</u>

Compensated Absences

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

NOTE 6 – PENSION PLAN

A. General Information about the Pension Plans:

Plan Descriptions

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan' provisions and benefits in effect on June 30, 2024, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to February 27, 2011	On or After February 27, 2011	On or After January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates	8.0% (a)	7.0%	8.0%
Required employer contribution rates:			
Normal cost rate	13.96%	10.55%	7.91% (b)
Payment of unfunded liability	\$139,143	\$0	\$0

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

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

Contributions

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

NOTE 6 – PENSION PLAN, (Continued)

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

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

As of June 30, 2024, 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
	<hr/>
Miscellaneous	\$ 2,589,794
	<hr/> <hr/>

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, 2023, 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, 2022, rolled forward to June 30, 2023, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The General Fund is typically used to liquidate pension liabilities.

The City's proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2022, and 2023 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2022	0.04946%
Proportion - June 30, 2023	0.05179%
Change - Increase (Decrease)	0.00233%

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

NOTE 6 – PENSION PLAN, (Continued)

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 (EARS�) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

For the year ended June 30, 2024, the City recognized a pension expense of \$690,799. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 156,358	\$ -
Differences between actual and expected experience	132,301	20,523
Differences between projected and actual investment earnings	419,311	-
Differences between employer's contributions and proportionate share of contributions	9,919	48,180
Change in employer's proportion	226,357	-
Pension contributions made subsequent to measurement date	413,758	-
Total	<u>\$ 1,358,004</u>	<u>\$ 68,703</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

\$413,758 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending June 30,	Amount
2025	\$ 318,337
2026	209,524
2027	335,650
2028	12,032
2029	-
Thereafter	-
	<u>\$ 875,543</u>

Actuarial Assumptions

For the measurement period ended June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward June 30, 2022, total pension liability determined in the June 30, 2022, actuarial accounting valuation. The June 30, 2024, total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
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)

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

NOTE 6 – PENSION PLAN, (Continued)

- (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

There were no assumption changes in 2023. However, 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.

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.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)

NOTE 6 – PENSION PLAN, (Continued)

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 considered 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.

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

Asset Class	Current Target Allocation	Real Return (a)(b)
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, 2024 (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:

	<u>Miscellaneous</u>
1% Decrease	5.90%
Net Pension Liability	\$ 4,189,140
Current Discount Rate	6.90%
Net Pension Liability	\$ 2,589,794
1% Increase	7.90%
Net Pension Liability	\$ 1,273,394

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, 2024 (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>24</u>
Total	<u>31</u>

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 2023/24, the City paid \$151 or \$157 per month as the full amount required by the plan for each retiree from City service, for a total contribution of \$19,986, which is made up of a cash contribution of \$12,936 and an implicit subsidy of \$7,050. The OPEB obligation has typically been paid from the City's General Fund.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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

OPEB Liability

The City’s OPEB liability was measured as of June 30, 2023, 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	3.65%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.65%, per year net of expenses. This is based on the Bond Buyer 20 Bond Index.
Mortality Rate ⁽¹⁾	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	Based on recent premium experience, assuming 4% increase due to market trends then reduced to a rate reflecting medical price inflation

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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

Notes:

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65 percent. The interest rate used in the prior valuation was 3.54%. When benefits are projected to not be paid by plan assets, a yield or index rate for 20 years, 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, 2024 (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	\$ 875,195
Changes recognized for the measurement period:	
Service Cost	51,457
Interest	31,306
Changes of assumptions	20,087
Net Investment income	-
Experience (Gains) / Losses	82,240
Benefit payments	(33,152)
Benefit payment terms	-
Administrative expense	-
Net Changes during 2021-22	151,938
Balance at June 30, 2022	
<i>(Measurement Date June 30, 2022)</i>	<u>\$ 1,027,133</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (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, 2023:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
OPEB Liability	\$1,159,166	\$1,027,133	\$918,230

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, 2023:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
OPEB Liability	\$888,878	\$1,027,133	\$1,201,912

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, 2024 (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, 2024, the City recognized OPEB expense of \$109,769. As of fiscal year, ended June 30, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 19,986	\$ -
Changes of Assumptions	287,592	159,729
Changes in Experience	135,572	52,482
Total	<u>\$ 443,150</u>	<u>\$ 212,211</u>

The \$19,986 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023, measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2025. 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
2024	\$ 27,006
2025	27,006
2026	27,006
2027	27,006
2028	27,006
Thereafter	75,923

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (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 \$210,623 for the fiscal year ended June 30, 2024.

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 \$83,783 for the fiscal year ending June 30, 2024.

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, 2024. 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, 2024 (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 on 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 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, 2024 (CONTINUED)**

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

The City's General fund balance classifications at June 30, 2024, are presented below and followed by explanations as to the nature and purpose of assigned and unassigned classifications.

General Fund:

Non-spendable: Prepaid items	\$ 10,548
Committed for self insurance	30,000
Assigned:	
Council Strategic	\$ 14,707,303
CalPERS UAL	895,000
Technology	2,111,040
Facilities	1,986,647
Vehicles	189,119
Infrastructure	<u>500,000</u>
Total Assigned:	20,389,109
Unassigned:	
Emergency Policy	<u>13,592,739</u>
Total General Fund Balance	<u>\$ 34,022,396</u>

Assigned for Council Strategic – An amount established for special projects and services to be used at the City Council's discretion. The Council may authorize expenditure at any time during the fiscal year, 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 requires 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, 2024 (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.

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Required Supplementary Information

Rancho Santa Margarita, California

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**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2024**

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

Last Ten Fiscal Years

Fiscal year ended June 30	2024	2023	2022	2021
Measurement date ended June 30	2023	2022	2021	2020
Plan's proportion of the net pension liability	0.05179%	0.02004%	0.01334%	0.01690%
Plan's proportionate share of the net pension liability	\$ 2,589,794	\$ 2,314,404	\$ 721,653	\$ 1,838,776
Plan's covered payroll	\$ 2,680,549	\$ 2,483,967	\$ 2,289,372	\$ 2,481,988
Plan's proportionate share of the net pension liability as a percentage of covered payroll	96.61%	93.17%	31.52%	74.08%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	76.21%	76.68%	88.29%	75.10%
Plan's proportionate share of aggregate employer contributions	\$ 383,944	\$ 453,396	\$ 370,910	\$ 322,602

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, 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.

From fiscal year June 30, 2023 to June 30, 2024:

There were no changes in assumptions.

2020	2019	2018	2017	2016	2015
2019	2018	2017	2016	2015	2014
0.01657%	0.01619%	0.01661%	0.01653%	0.01721%	0.01626%
\$ 1,697,876	\$ 1,560,147	\$ 1,646,931	\$ 1,430,589	\$ 1,180,978	\$ 1,011,781
\$ 2,269,275	\$ 2,226,095	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340	\$ 1,680,986
74.82%	70.08%	72.10%	66.72%	66.19%	60.19%
75.26%	75.26%	73.31%	74.06%	78.40%	78.25%
\$ 272,138	\$ 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, 2024**

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

Last Ten Fiscal Years

	2024	2023	2022	2021
Contractually required contribution (actuarially determined)	\$ 413,758	\$ 397,405	\$ 358,509	\$ 346,683
Contributions in relation to the actuarially determined contribution	413,758	397,405	358,509	346,683
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,822,472	\$ 2,680,549	\$ 2,483,967	\$ 2,289,372
Contributions as a percentage of covered payroll	14.66%	14.83%	14.43%	15.14%

Notes to Schedule:

Valuation Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
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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	2.30% **
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	6.90%, net of pension plan investment expense, including inflation **
Retirement age	50 years (Tier I 2.5%@55, Tier II 2%@60) and 52 years (PEPRA 2%@62) **
Mortality	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021.**

* * 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 317,543	\$ 331,671	\$ 300,998	\$ 296,102	\$ 269,353	\$ 258,665
<u>317,543</u>	<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>	<u>\$ -</u>
\$ 2,481,988	\$ 2,269,275	\$ 2,226,095	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340
12.79%	14.62%	13.52%	12.96%	12.56%	14.50%
6/30/2017	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, 2024

Measurement Date ended June 30	2023	2022	2021	2020
Total OPEB Liability				
Service cost	\$ 51,457	\$ 66,600	\$ 75,184	\$ 56,298
Interest on the total OPEB liability	31,306	21,974	19,676	23,776
Actual and expected experience difference	82,240	-	53,389	-
Changes in assumptions	20,087	(181,771)	24,535	139,229
Changes in benefit terms	-	-	-	-
Benefit payments	(33,152)	(31,280)	(29,885)	(27,371)
Net change in total OPEB liability	151,938	(124,477)	142,899	191,932
Total OPEB liability - beginning	875,195	999,672	856,773	664,841
Total OPEB liability - ending (a)	<u>\$ 1,027,133</u>	<u>\$ 875,195</u>	<u>\$ 999,672</u>	<u>\$ 856,773</u>
Covered-employee payroll	\$ 2,680,549	\$ 2,483,967	\$ 2,289,372	\$ 2,481,988
Total OPEB liability as a percentage of covered-employee payroll	38.32%	35.23%	43.67%	34.52%

Notes to Schedule:

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

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.

The discount rate changed from 3.54% to 3.65% for the valuation done as of the June 30, 2023 measurement date.

<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 31,006	\$ 32,568	\$ 31,696
17,189	16,531	13,886
(89,499)	-	-
273,859	(22,286)	-
(1,018)	-	-
<u>(8,070)</u>	<u>(8,338)</u>	<u>(8,017)</u>
223,467	18,475	37,565
<u>441,374</u>	<u>422,899</u>	<u>385,334</u>
<u>\$ 664,841</u>	<u>\$ 441,374</u>	<u>\$ 422,899</u>
\$ 2,269,275	\$ 2,269,275	\$ 2,226,095
29.30%	19.45%	19.00%

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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, 2024**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Taxes	\$ 17,578,566	\$ 17,578,566	\$ 17,776,204	\$ 197,638
Fees and permits	2,218,319	2,218,319	2,324,891	106,572
Intergovernmental	561,575	561,575	738,510	176,935
Charges for service	486,830	486,830	477,769	(9,061)
Investment income (loss)	477,530	477,530	1,400,361	922,831
Fines, forfeits and penalties	221,000	221,000	297,217	76,217
Other	45,000	45,000	46,599	1,599
Total revenues	21,588,820	21,588,820	23,061,551	1,472,731
Expenditures:				
General government	4,835,794	4,897,633	4,588,604	309,029
Building and planning	1,737,498	1,737,498	1,602,076	135,422
Public safety	12,145,903	12,198,333	11,594,838	603,495
Public works	2,942,255	2,880,416	2,813,785	66,631
Total expenditures	21,661,450	21,713,880	20,599,303	1,114,577
Other financing sources (uses):				
Transfers in	2,694,890	2,873,899	2,764,732	(109,167)
Transfers out	(1,568,938)	(2,108,051)	(1,252,918)	855,133
Total financing sources (uses)	1,125,952	765,848	1,511,814	745,966
Net change in fund balances	1,053,322	640,788	3,974,062	3,333,274
Fund balances, beginning of year	30,048,334	30,048,334	30,048,334	-
Fund balances, end of year	\$ 31,101,656	\$ 30,689,122	\$ 34,022,396	\$ 3,333,274

See Notes to the Required Supplementary Information

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**BUDGETARY COMPARISON SCHEDULE
GRANT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,857,495	\$ 2,054,327	\$ 2,054,327	\$ -
Total revenues	1,857,495	2,054,327	2,054,327	-
Expenditures:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Total expenditures	-	-	-	-
Other financing sources (uses):				
Transfers out	(1,857,495)	(2,054,327)	(2,054,327)	-
Total financing sources (uses)	(1,857,495)	(2,054,327)	(2,054,327)	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

**CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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 2024 was an average of 84.1, or satisfactory. This average PCI was maintained since the last update in 2023. 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, 2024 (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>
2024: Pavement subsystem	84.1	70
2023: Pavement subsystem	83.7	70
2022: Pavement subsystem	83.2	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 2023, as of June 30, 2024, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 84.1, 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 \$5,631,774 have been budgeted for the fiscal year ending June 30, 2025, for maintenance/rehabilitation to maintain PCI standard.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (CONTINUED)**

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

	Street Maintenance Cost	Street Maintenance Budget
June 2024	\$ 2,724,954	\$ 4,739,637
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

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 2023/24.

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, 2024 (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.

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, 2024**

	<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>
Assets				
Cash and investments	\$ 857,360	\$ 912,659	\$ 267,673	\$ 54,286
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	241,512	156,721	15,836	-
Interest receivable	4,931	7,264	1,962	424
Total assets	<u>\$ 1,103,803</u>	<u>\$ 1,076,644</u>	<u>\$ 285,471</u>	<u>\$ 54,710</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 30,989	\$ -	\$ -	\$ -
Total liabilities	<u>30,989</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for debt service	-	-	-	-
Restricted for public safety	-	-	-	-
Restricted for public works	<u>1,072,814</u>	<u>1,076,644</u>	<u>285,471</u>	<u>54,710</u>
Total fund balances	<u>1,072,814</u>	<u>1,076,644</u>	<u>285,471</u>	<u>54,710</u>
Total liabilities and fund balances	<u>\$ 1,103,803</u>	<u>\$ 1,076,644</u>	<u>\$ 285,471</u>	<u>\$ 54,710</u>

Special Revenue Funds			Debt Service Fund	
Supplemental Law Enforce- ment Services	PEG Fee Fund	RMRA Fund	Rancho Santa Margarita PFA	Totals
\$ 370,801	\$ 574,118	\$ 734,863	\$ -	\$ 3,771,760
-	-	-	1,514	1,514
-	-	215,647	-	629,716
3,076	4,534	13,283	-	35,474
<u>\$ 373,877</u>	<u>\$ 578,652</u>	<u>\$ 963,793</u>	<u>\$ 1,514</u>	<u>\$ 4,438,464</u>
\$ 16,153	\$ -	\$ -	\$ -	\$ 47,142
<u>16,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,142</u>
-	-	-	1,514	1,514
357,724	-	-	-	357,724
-	578,652	963,793	-	4,032,084
<u>357,724</u>	<u>578,652</u>	<u>963,793</u>	<u>1,514</u>	<u>4,391,322</u>
<u>\$ 373,877</u>	<u>\$ 578,652</u>	<u>\$ 963,793</u>	<u>\$ 1,514</u>	<u>\$ 4,438,464</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, 2024**

	<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	\$ 1,329,512	\$ 983,670	\$ 63,310	\$ -
Investment income (loss)	23,372	39,096	11,425	2,511
Total revenues	<u>1,352,884</u>	<u>1,022,766</u>	<u>74,735</u>	<u>2,511</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	389,102	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>389,102</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>963,782</u>	<u>1,022,766</u>	<u>74,735</u>	<u>2,511</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(303,280)	(676,491)	(16,166)	-
Total financing sources (uses)	<u>(303,280)</u>	<u>(676,491)</u>	<u>(16,166)</u>	<u>-</u>
Net change in fund balances	660,502	346,275	58,569	2,511
Fund balances, beginning of year	<u>412,312</u>	<u>730,369</u>	<u>226,902</u>	<u>52,199</u>
Fund balances, end of year	<u>\$ 1,072,814</u>	<u>\$ 1,076,644</u>	<u>\$ 285,471</u>	<u>\$ 54,710</u>

Special Revenue Funds			Debt Service Fund	
Supplemental Law Enforcement Services	PEG Fee Fund	RMRA Fund	Rancho Santa Margarita PFA	Totals
\$ 186,159	\$ -	\$ 1,237,374	\$ -	\$ 3,800,025
17,357	28,194	74,893	1,515	198,363
<u>203,516</u>	<u>28,194</u>	<u>1,312,267</u>	<u>1,515</u>	<u>3,998,388</u>
-	48,513	-	-	48,513
152,769	-	-	-	152,769
-	-	-	-	389,102
-	-	-	525,000	525,000
-	-	-	201,937	201,937
<u>152,769</u>	<u>48,513</u>	<u>-</u>	<u>726,937</u>	<u>1,317,321</u>
<u>50,747</u>	<u>(20,319)</u>	<u>1,312,267</u>	<u>(725,422)</u>	<u>2,681,067</u>
-	-	-	726,733	726,733
-	-	(1,432,266)	-	(2,428,203)
<u>-</u>	<u>-</u>	<u>(1,432,266)</u>	<u>726,733</u>	<u>(1,701,470)</u>
50,747	(20,319)	(119,999)	1,311	979,597
<u>306,977</u>	<u>598,971</u>	<u>1,083,792</u>	<u>203</u>	<u>3,411,725</u>
<u>\$ 357,724</u>	<u>\$ 578,652</u>	<u>\$ 963,793</u>	<u>\$ 1,514</u>	<u>\$ 4,391,322</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, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,373,094	\$ 1,373,094	\$ 1,329,512	\$ (43,582)
Investment income	8,629	8,629	23,372	14,743
Total revenues	<u>1,381,723</u>	<u>1,381,723</u>	<u>1,352,884</u>	<u>(28,839)</u>
Expenditures:				
Public works - current	<u>396,000</u>	<u>396,000</u>	<u>389,102</u>	<u>6,898</u>
Total expenditures	<u>396,000</u>	<u>396,000</u>	<u>389,102</u>	<u>6,898</u>
Other financing sources (uses):				
Transfers out	<u>(1,267,715)</u>	<u>(1,267,715)</u>	<u>(303,280)</u>	<u>964,435</u>
Total financing sources (uses)	<u>(1,267,715)</u>	<u>(1,267,715)</u>	<u>(303,280)</u>	<u>964,435</u>
Net change in fund balances	(281,992)	(281,992)	660,502	942,494
Fund balances, beginning of year	<u>412,312</u>	<u>412,312</u>	<u>412,312</u>	<u>-</u>
Fund balances, end of year	<u>\$ 130,320</u>	<u>\$ 130,320</u>	<u>\$ 1,072,814</u>	<u>\$ 942,494</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, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,056,102	\$ 1,056,102	\$ 983,670	\$ (72,432)
Investment income (loss)	13,280	13,280	39,096	25,816
Total revenues	<u>1,069,382</u>	<u>1,069,382</u>	<u>1,022,766</u>	<u>(46,616)</u>
Other financing sources (uses):				
Transfers out	<u>(1,552,680)</u>	<u>(1,552,680)</u>	<u>(676,491)</u>	<u>876,189</u>
Total financing sources (uses)	<u>(1,552,680)</u>	<u>(1,552,680)</u>	<u>(676,491)</u>	<u>876,189</u>
Net change in fund balances	(483,298)	(483,298)	346,275	829,573
Fund balances, beginning of year	<u>730,369</u>	<u>730,369</u>	<u>730,369</u>	<u>-</u>
Fund balances, end of year	<u>\$ 247,071</u>	<u>\$ 247,071</u>	<u>\$ 1,076,644</u>	<u>\$ 829,573</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, 2024

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Revenues:				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 63,310	\$ 3,310
Investment income (loss)	4,835	4,835	11,425	6,590
Total revenues	<u>64,835</u>	<u>64,835</u>	<u>74,735</u>	<u>9,900</u>
Other financing sources (uses):				
Transfers out	<u>(23,000)</u>	<u>(23,000)</u>	<u>(16,166)</u>	<u>6,834</u>
Total financing sources (uses)	<u>(23,000)</u>	<u>(23,000)</u>	<u>(16,166)</u>	<u>6,834</u>
Net change in fund balances	41,835	41,835	58,569	16,734
Fund balances, beginning of year	<u>226,902</u>	<u>226,902</u>	<u>226,902</u>	<u>-</u>
Fund balances, end of year	<u>\$ 268,737</u>	<u>\$ 268,737</u>	<u>\$ 285,471</u>	<u>\$ 16,734</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, 2024**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
Revenues:				
Investment income (loss)	\$ -	\$ -	\$ 2,511	\$ 2,511
Total revenues	-	-	2,511	2,511
Other financing sources (uses):				
Transfers out	(46,000)	(46,000)	-	46,000
Total financing sources (uses)	(46,000)	(46,000)	-	46,000
Net change in fund balances	(46,000)	(46,000)	2,511	48,511
Fund balances, beginning of year	52,199	52,199	52,199	-
Fund balances, end of year	\$ 6,199	\$ 6,199	\$ 54,710	\$ 48,511

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, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 165,300	\$ 165,300	\$ 186,159	\$ 20,859
Investment income (loss)	6,671	6,671	17,357	10,686
Total revenues	<u>171,971</u>	<u>171,971</u>	<u>203,516</u>	<u>31,545</u>
Expenditures:				
Public safety - current	<u>166,571</u>	<u>166,571</u>	<u>152,769</u>	<u>13,802</u>
Total expenditures	<u>166,571</u>	<u>166,571</u>	<u>152,769</u>	<u>13,802</u>
Net change in fund balances	5,400	5,400	50,747	45,347
Fund balances, beginning of year	<u>306,977</u>	<u>306,977</u>	<u>306,977</u>	<u>-</u>
Fund balances, end of year	<u>\$ 312,377</u>	<u>\$ 312,377</u>	<u>\$ 357,724</u>	<u>\$ 45,347</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, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income (loss)	\$ 12,668	\$ 12,668	\$ 28,194	\$ 15,526
Total revenues	12,668	12,668	28,194	15,526
Expenditures:				
General government	57,051	57,051	48,513	8,538
Total expenditures	57,051	57,051	48,513	8,538
Net change in fund balances	(44,383)	(44,383)	(20,319)	24,064
Fund balances, beginning of year	598,971	598,971	598,971	-
Fund balances, end of year	\$ 554,588	\$ 554,588	\$ 578,652	\$ 24,064

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, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,185,311	\$ 1,185,311	\$ 1,237,374	\$ 52,063
Investment income (loss)	33,600	33,600	74,893	41,293
Total revenues	<u>1,218,911</u>	<u>1,218,911</u>	<u>1,312,267</u>	<u>93,356</u>
Other financing sources (uses):				
Transfers out	<u>(2,030,000)</u>	<u>(2,030,000)</u>	<u>(1,432,266)</u>	<u>597,734</u>
Total financing sources (uses)	<u>(2,030,000)</u>	<u>(2,030,000)</u>	<u>(1,432,266)</u>	<u>597,734</u>
Net change in fund balances	(811,089)	(811,089)	(119,999)	691,090
Fund balances, beginning of year	<u>1,083,792</u>	<u>1,083,792</u>	<u>1,083,792</u>	<u>-</u>
Fund balances, end of year	<u>\$ 272,703</u>	<u>\$ 272,703</u>	<u>\$ 963,793</u>	<u>\$ 691,090</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, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 1,515	\$ 1,515
Total revenues	-	-	1,515	1,515
Expenditures:				
Debt Service:				
Principal retirement	525,000	525,000	525,000	-
Interest	201,938	201,938	201,937	1
Total expenditures	726,938	726,938	726,937	1
Other financing sources (uses):				
Transfers in	726,938	726,938	726,733	(205)
Total financing sources (uses)	726,938	726,938	726,733	(205)
Net change in fund balances	-	-	1,311	1,311
Fund balances, beginning of year	203	203	203	-
Fund balances, end of year	\$ 203	\$ 203	\$ 1,514	\$ 1,311

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, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
Revenues:				
Intergovernmental	\$ 726,000	\$ 726,000	\$ 434,384	\$ (291,616)
Investment income (loss)	-	-	22,492	22,492
Total revenues	<u>726,000</u>	<u>726,000</u>	<u>456,876</u>	<u>(269,124)</u>
Expenditures:				
Public works	<u>5,650,000</u>	<u>6,206,936</u>	<u>2,674,984</u>	<u>3,531,952</u>
Total expenditures	<u>5,650,000</u>	<u>6,206,936</u>	<u>2,674,984</u>	<u>3,531,952</u>
Other financing sources (uses):				
Transfers in	<u>4,924,000</u>	<u>5,480,936</u>	<u>2,243,983</u>	<u>(3,236,953)</u>
Total financing sources (uses)	<u>4,924,000</u>	<u>5,480,936</u>	<u>2,243,983</u>	<u>(3,236,953)</u>
Net change in fund balances	-	-	25,875	25,875
Fund balances (deficit), beginning of year	<u>173,546</u>	<u>173,546</u>	<u>173,546</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 173,546</u>	<u>\$ 173,546</u>	<u>\$ 199,421</u>	<u>\$ 25,875</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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in				
Capital Assets	\$ 105,983,845	\$ 106,992,536	\$ 106,849,113	\$ 106,534,073
Restricted for:				
Public Safety	357,724	306,977	270,270	240,218
Public Works	4,032,084	3,104,545	3,706,353	4,002,522
Debt Service			-	-
Unrestricted	<u>31,650,131</u>	<u>28,034,586</u>	<u>25,745,815</u>	<u>21,824,996</u>
Total Governmental Activities				
Net Position	<u><u>\$ 142,023,784</u></u>	<u><u>\$ 138,438,644</u></u>	<u><u>\$ 136,571,551</u></u>	<u><u>\$ 132,601,809</u></u>
 PRIMARY GOVERNMENT				
Net Investment in				
Capital Assets	\$ 105,983,845	\$ 106,992,536	\$ 106,849,113	\$ 106,534,073
Restricted for				
Public Safety	357,724	306,977	270,270	240,218
Public Works	4,032,084	3,104,545	3,706,353	4,002,522
Unrestricted	<u>31,650,131</u>	<u>28,034,586</u>	<u>25,745,815</u>	<u>21,824,996</u>
Total Primary Government				
Net Position	<u><u>\$ 142,023,784</u></u>	<u><u>\$ 138,438,644</u></u>	<u><u>\$ 136,571,551</u></u>	<u><u>\$ 132,601,809</u></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 (2015-2024)

2020	2019	2018	2017	2016	2015**
\$ 104,695,075	\$ 105,277,597	\$ 106,775,273	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951
212,539	174,629	147,789	113,112	99,309	109,554
3,664,065	3,940,779	3,729,900	3,728,757	3,936,815	3,604,728
-	-	114	1,526,835	1,515,534	1,509,121
19,335,960	19,262,675	17,171,094	13,960,569	14,981,977	13,325,625
<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>	<u>\$ 128,581,372</u>	<u>\$ 129,690,863</u>	<u>\$ 127,408,979</u>

\$ 104,695,075	\$ 105,277,597	\$ 106,775,273	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951
212,539	174,629	147,789	113,112	99,309	109,554
3,664,065	3,940,779	3,729,900	3,728,757	3,936,815	3,604,728
19,335,960	19,262,675	17,171,094	13,960,569	14,981,977	13,325,625
<u>\$ 127,907,639</u>	<u>\$ 128,655,680</u>	<u>\$ 127,824,170</u>	<u>\$ 128,581,372</u>	<u>\$ 129,690,863</u>	<u>\$ 127,408,979</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
EXPENSES				
Governmental Activities:				
General Government	\$ 5,035,430	\$ 4,358,626	\$ 3,272,322	\$ 3,302,713
Building & Planning	1,527,260	1,047,587	1,548,912	1,322,446
Public Safety	11,747,607	10,957,916	10,471,622	10,197,832
Public Works	7,478,536	8,122,136	6,106,205	5,529,289
Capital Outlay	-	-	-	-
Principal Retirement	-	-	-	-
Interest Expense	194,977	215,709	235,709	255,002
Total Governmental Activities Expenses	<u>25,983,810</u>	<u>24,701,974</u>	<u>21,634,770</u>	<u>20,607,282</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	313,334	311,216	146,573	3,878
Building and Planning	872,200	927,060	856,765	750,545
Public Safety	297,217	181,480	211,402	218,946
Public Works	24,986	54,502	54,895	60,665
Operating Contributions and Grants	6,582,040	4,507,464	4,904,204	4,289,475
Capital Contributions and Grants	293,412	853,652	910,335	2,364,376
Total Governmental Activities Program Revenues	<u>8,383,189</u>	<u>6,835,374</u>	<u>7,084,174</u>	<u>7,687,885</u>
Total Net Revenues (Expenses)	<u><u>\$ (17,600,621)</u></u>	<u><u>\$ (17,866,600)</u></u>	<u><u>\$ (14,550,596)</u></u>	<u><u>\$ (12,919,397)</u></u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 9,023,387	\$ 8,657,981	\$ 8,147,963	\$ 7,946,855
Sales Taxes	8,483,197	8,374,788	8,498,568	7,713,518
Real Property Transfer Taxes	269,620	294,734	491,610	433,781
Unrestricted intergovernmental revenue	59,227	49,149	55,664	35,787
Motor Vehicle in-lieu tax, unrestricted intergovernmental	-	-	-	-
Franchise fees	1,682,515	1,655,107	1,520,928	1,381,407
Investment Income (loss)	1,621,216	635,831	(231,678)	50,640
Other	46,599	66,103	37,283	51,579
Total Governmental Activities	<u>21,185,761</u>	<u>19,733,693</u>	<u>18,520,338</u>	<u>17,613,567</u>
Changes in Net Position	<u><u>\$ 3,585,140</u></u>	<u><u>\$ 1,867,093</u></u>	<u><u>\$ 3,969,742</u></u>	<u><u>\$ 4,694,170</u></u>

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

Source: City Finance Division, Annual Comprehensive Financial Report (2015-2024)

2020	2019	2018	2017	2016	2015
\$ 4,143,355	\$ 4,042,811	\$ 4,391,682	\$ 2,700,266	\$ 3,421,649	\$ 3,698,159
1,158,233	1,211,945	1,136,247	1,090,593	1,169,254	998,296
10,080,372	9,776,922	9,513,766	9,644,961	7,572,663	8,105,354
7,175,142	6,159,832	5,978,125	6,162,890	4,718,605	7,521,705
-	-	-	925	-	-
-	-	-	967,536	-	-
273,645	291,511	308,581	325,176	341,109	355,077
22,830,747	21,483,021	21,328,401	20,892,347	17,223,280	20,678,591
246,938	426,030	476,159	424,862	431,449	405,724
650,298	673,447	744,275	660,136	786,225	556,526
216,076	169,305	138,224	142,914	163,463	198,883
79,086	66,913	42,663	83,792	59,890	50,079
3,996,755	3,128,799	3,262,849	3,114,256	2,545,411	3,259,584
74,394	162,896	12,927	-	-	-
5,263,547	4,627,390	4,677,097	4,425,960	3,986,438	4,470,796
\$ (17,567,200)	\$ (16,855,631)	\$ (16,651,304)	\$ (16,466,387)	\$ (13,236,842)	\$ (16,207,795)
\$ 7,683,778	\$ 7,436,398	\$ 7,110,720	\$ 6,746,586	\$ 6,534,986	\$ 6,235,194
6,729,367	7,109,635	6,658,452	6,669,064	6,809,341	6,037,535
289,637	262,145	355,744	362,285	333,339	300,415
38,750	23,678	25,583	-	-	-
-	-	-	-	-	-
1,379,572	1,436,938	1,368,975	1,380,895	1,499,296	1,516,529
516,497	571,340	284,016	147,992	103,995	66,916
181,558	847,007	126,795	50,074	237,769	1,785,010
16,819,159	17,687,141	15,930,285	15,356,896	15,518,726	15,941,599
\$ (748,041)	\$ 831,510	\$ (721,019)	\$ (1,109,491)	\$ 2,281,884	\$ (266,196)

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
GENERAL FUND				
Nonspendable	\$ 10,548	\$ 13,601	\$ 12,718	\$ 9,749
Restricted		-	-	-
Committed	30,000	98,349	30,000	45,220
Assigned	20,389,109	17,950,931	10,452,879	9,374,355
Unassigned	13,592,739	11,985,453	16,853,927	14,459,065
Total General Fund	<u>\$ 34,022,396</u>	<u>\$ 30,048,334</u>	<u>\$ 27,349,524</u>	<u>\$ 23,888,389</u>
ALL OTHER GOVERNMENTAL FUNDS				
Committed for encumbrances	\$ -	\$ -	\$ -	\$ -
Restricted for debt service	1,514	203	2	779
Restricted for public safety/public works	4,389,808	3,411,522	3,976,623	4,242,741
Assigned, Reported in:				
Capital Project Funds	199,421	173,546	-	-
Unassigned, Reported in:				
Capital Project Funds		-	(863)	(463,948)
CARES Fund		-	-	-
Total All Other Governmental Funds	<u>\$ 4,590,743</u>	<u>\$ 3,585,271</u>	<u>\$ 3,975,762</u>	<u>\$ 3,779,572</u>

Source: City Finance Division, HdL, Coren & Cone, Annual Comprehensive Financial Report (2015-2024)

2020	2019	2018	2017	2016	2015
\$ 11,807	\$ 6,582	\$ 250	\$ 2,665	\$ 2,821	\$ 2,251
-	-	-	-	-	-
50,004	240,059	434,499	788,647	1,460,181	553,484
8,512,921	8,761,323	7,769,118	7,524,985	9,300,558	9,611,627
12,790,146	11,614,014	10,510,122	9,237,888	8,859,349	7,999,887
<u>\$ 21,364,878</u>	<u>\$ 20,621,978</u>	<u>\$ 18,713,989</u>	<u>\$ 17,554,185</u>	<u>\$ 19,622,909</u>	<u>\$ 18,167,249</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
816	541	114	1,526,835	1,515,534	1,509,121
3,876,604	4,115,408	3,877,689	3,841,869	4,036,124	3,714,282
-	204,157	192,816	3,621	204,377	102,905
(261,183)	-	-	-	-	-
(358,369)	-	-	-	-	-
<u>\$ 3,257,868</u>	<u>\$ 4,320,106</u>	<u>\$ 4,070,619</u>	<u>\$ 5,372,325</u>	<u>\$ 5,756,035</u>	<u>\$ 5,326,308</u>

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

	2024	2023	2022	2021
REVENUES				
Taxes	\$ 17,776,204	\$ 17,327,503	\$ 17,138,141	\$ 16,094,154
Fees & Permits	2,324,891	2,303,847	2,120,009	1,926,093
Intergovernmental	7,027,246	5,770,808	6,274,181	6,654,963
Charges for Services	477,769	561,303	381,813	187,134
Investment Income (loss)	1,621,216	635,831	(231,678)	50,640
Fines, forfeits and penalties	297,217	181,480	211,525	218,946
Other	46,599	66,103	37,283	51,579
Total Revenues	29,571,142	26,846,875	25,931,274	25,183,509
EXPENDITURES				
Current:				
General Government	4,637,117	4,093,940	3,651,227	2,961,244
Building and Planning	1,602,076	1,667,209	1,592,214	1,441,307
Public Safety	11,747,607	10,957,916	10,471,622	10,197,832
Public Works	5,877,871	7,091,954	5,826,447	6,806,316
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	525,000	505,000	490,000	470,000
Interest	201,937	222,537	242,438	261,596
Total Expenditures	24,591,608	24,538,556	22,273,948	22,138,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,979,534	2,308,319	3,657,326	3,045,214
OTHER FINANCING SOURCES (USES)				
Transfers In	5,735,448	5,791,308	5,296,675	3,155,585
Transfers Out	(5,735,448)	(5,791,308)	(5,296,675)	(3,155,585)
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Total Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	4,979,534	2,308,319	3,657,326	3,045,214
Fund Balances, beginning of year	33,633,605	31,325,286	27,667,960	24,622,746
Fund Balances, end of year	\$ 38,613,139	\$ 33,633,605	\$ 31,325,286	\$ 27,667,960
DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES				
	3.04%	3.21%	3.61%	3.88%

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

Source: City Finance Division, Annual Comprehensive Financial Report (2015-2024)

2020	2019	2018	2017	2016	2015
\$ 14,702,782	\$ 14,808,178	\$ 14,124,916	\$ 13,756,201	\$ 13,657,845	\$ 8,537,734
1,768,147	1,832,117	2,156,495	2,557,778	2,196,437	2,043,835
3,746,966	3,401,017	3,297,047	2,255,652	2,421,752	6,979,269
484,508	673,648	691,596	747,230	747,093	652,998
516,496	571,339	284,016	147,992	103,995	66,916
216,076	169,305	138,224	142,914	163,463	198,883
181,558	847,007	126,795	50,074	237,769	1,785,010
21,616,533	22,302,611	20,819,089	19,657,841	19,528,354	20,264,645
3,799,036	3,807,473	3,965,491	3,725,068	3,522,990	3,693,121
1,142,984	1,203,090	1,132,872	1,078,723	1,150,918	993,466
10,080,372	9,776,922	9,513,766	9,644,961	7,565,851	8,104,085
6,178,342	4,545,469	4,765,369	5,825,294	4,508,164	5,060,120
-	-	-	132,355	162,907	1,883,395
455,000	514,343	1,268,655	1,372,536	385,000	370,000
280,138	297,838	314,838	331,338	347,137	360,387
21,935,872	20,145,135	20,960,991	22,110,275	17,642,967	20,464,574
(319,339)	2,157,476	(141,902)	(2,452,434)	1,885,387	(199,929)
4,618,477	3,467,646	4,785,289	4,509,192	3,306,078	4,946,538
(4,618,477)	(3,467,646)	(4,785,289)	(4,509,192)	(3,306,078)	(4,946,538)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(319,339)	2,157,476	(141,902)	(2,452,434)	1,885,387	(199,929)
24,942,085	22,784,608	22,926,510	25,378,944	23,493,557	23,693,486
\$ 24,622,746	\$ 24,942,084	\$ 22,784,608	\$ 22,926,510	\$ 25,378,944	\$ 23,493,557
3.52%	4.12%	7.83%	8.43%	4.68%	4.21%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Apparel Stores	*	\$ 9,439	\$ 9,558	\$ 10,429
General Merchandise	*	49,348	49,935	49,409
Food Stores	*	37,928	37,020	35,753
Eating & Drinking Places:	*	114,761	113,151	104,384
Building Materials	*	51,503	54,016	54,492
Auto Dealers & Supplies	*	247,324	235,569	205,430
Service Stations	*	61,372	76,104	73,760
Other Retail Stores	*	49,097	49,622	54,944
All Other Outlets	*	233,575	232,322	220,516
Total	<u>*</u>	<u>\$ 854,347</u>	<u>\$ 857,298</u>	<u>\$ 809,115</u>
City Direct Sales Tax Rate	7.75%	7.75%	7.75%	7.75%

*Data for fiscal year 2023-2024 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

2020	2019	2018	2017	2016	2015
\$ 7,175	\$ 9,306	\$ 9,406	\$ 9,559	\$ 9,789	\$ 9,995
45,864	52,333	55,233	55,115	56,266	56,123
37,775	33,224	32,783	32,031	30,292	29,608
80,946	89,902	87,860	84,799	80,362	76,320
56,395	52,344	51,234	52,316	48,524	45,725
160,883	168,302	172,104	166,244	147,301	140,386
44,568	56,547	53,504	46,999	43,453	50,918
49,286	56,722	65,026	66,534	71,033	74,800
79,122	86,370	90,430	77,980	91,816	82,178
<u>\$ 562,014</u>	<u>\$ 605,050</u>	<u>\$ 617,579</u>	<u>\$ 591,578</u>	<u>\$ 578,836</u>	<u>\$ 566,054</u>
7.75%	7.75%	7.75%	7.75%	8.0%	8.0%

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

Fiscal Year	Sales and Use Tax	Property Tax	Real Property Transfer	Total
2024	8,483,197	9,023,387	269,620	17,776,204
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

Source: City Finance Division, Annual Comprehensive Financial Report (2015-2024)

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Miscellaneous Property	Less: Tax-Exempt Property	Total Taxable Assessed Value (1)	Total Direct Rate
2024	\$ 8,849,823,536	\$ 716,517,147	\$ 622,743,422	\$ 278,947,143	-	\$ 10,468,031,248	2.98%
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%

(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)

Agency	2023/24	2022/23	2021/22	2020/21
Basic Levy^{1,5}	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00633	0.00691	0.00727	0.00756
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	0.02037	0.02227	0.02200	0.02336
Santa Margarita Water District	0.07590	0.08140	0.08710	0.09390
Total Direct & Overlapping² Tax Rates	1.10960	1.11758	1.12337	1.13182
 City's Share of 1% Levy Per Prop 13³	 0.02978	 0.02978	 0.02978	 0.02978
Total Direct Rate^{4,6}	0.02987	0.02981	0.02979	0.02980

Notes:

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

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

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

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

⁵Under Article 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.

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

Source: Orange County Assessor 2014/15 - 2023/24 Tax Rate Table

2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00745	0.00786	0.00800	0.00843	0.00845	0.00900
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.02295	0.02392	0.02365	0.02688	0.03008	0.02806
0.61040	0.62470	0.85900	0.88660	1.18070	2.05440
1.64780	1.66348	1.89765	1.92891	2.22623	3.09846
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978
0.02976	0.02976	0.02978	0.02978	0.02978	0.02978

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

	2023/24			2014/15		
	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank	Total Assessed Value	Percentage of Total City Taxable Assessed Value	Rank
Taxpayer						
Applied Medical Resources Corp	\$ 293,559,530	2.80%	1	\$ 214,315,223	2.96%	1
El Prado LLC	86,530,460	0.83%	2	73,554,713	1.02%	2
BEX Portfolio Inc*	76,175,527	0.73%	3	47,486,134	0.66%	3
Plaza El Paseo Center, LLC	59,927,876	0.57%	4			
Villa La Paz Partners LP	46,003,343	0.44%	5	38,849,025	0.54%	4
Cox Communications	44,683,087	0.43%	6			
RSM Antonio Associates	41,446,080	0.40%	7			
EQR-Skyview LP	40,398,115	0.39%	8	34,223,093	0.47%	6
CPI-GREP AA-Buena Vida Owner LLP	39,041,641	0.37%	9			
VR RSM Two LLC	34,533,333	0.33%	10			
FG Rancho Santa Margarita LP				27,632,217	0.38%	7
KRC Santa Margarita**				25,907,908	0.36%	8
Antonio Acquisition Company				36,292,222	0.50%	5
Crescent LP				25,458,848	0.35%	9
Bay Apartment Communities Inc				23,559,395	0.33%	10
Totals	<u>\$ 762,298,992</u>	<u>7.28%</u>		<u>\$ 547,278,778</u>	<u>7.57%</u>	

* Previously known as BRE Properties

**Previously known as KSL Santa Margarita Properties II LP

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

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2024	\$ 3,038,743	\$ 2,987,619	98.32%	19,570	\$ 3,007,189	98.96%
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%

Source: O.C. Auditor-controller, City Finance Division, Annual Comprehensive Financial Report (2015-2024)

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

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Total Governmental Activities	As % of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
2024	-	6,603,719	-	6,603,719	0.22%	142.61
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

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

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

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

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

Fiscal Year	Population	Total General Obligation Bonds	Less Debt Service Fund ⁽¹⁾	Net Bonded Debt	Percent of Debt to Assessed Value ⁽²⁾	Debt per Capita
2024	46,305	-	-	-	0.00%	-
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%	-

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

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

Source: HdL Companies

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assessed Valuation	\$ 10,803,268,808	\$ 10,298,411,369	\$ 9,777,605,219	\$ 9,540,829,358
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 2,700,817,202	\$ 2,574,602,842	\$ 2,444,401,305	\$ 2,385,207,340
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 405,122,580	\$ 386,190,426	\$ 366,660,196	\$ 357,781,101
Total Net Debt Applicable to Limit: General Obligation Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 405,122,580</u>	<u>\$ 386,190,426</u>	<u>\$ 366,660,196</u>	<u>\$ 357,781,101</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%

Note:

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

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

2020	2019	2018	2017	2016	2015
\$ 9,234,200,835	\$ 8,641,623,471	\$ 8,247,807,523	\$ 7,872,062,542	\$ 7,572,054,981	\$ 7,230,177,009
25%	25%	25%	25%	25%	25%
\$ 2,308,550,209	\$ 2,160,405,868	\$ 2,061,951,881	\$ 1,968,015,636	\$ 1,893,013,745	\$ 1,807,544,252
15%	15%	15%	15%	15%	15%
\$ 346,282,531	\$ 324,060,880	\$ 309,292,782	\$ 295,202,345	\$ 283,952,062	\$ 271,131,638
-	-	-	-	-	-
<u>\$ 346,282,531</u>	<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>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year	Population	Personal Income ⁽¹⁾ (in thousands)	Per Capita Personal Income	Median Income per Household	Median Age	School Enrollment	Unemployment Rate
2024	46,305	\$ 2,959,213	\$ 63,906	\$ 150,146	40.1	9,262	3.20%
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%

(1) Estimated for 2024

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

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

Employer	2024		2015	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
Applied Medical	3,000	15.10%	2,500	7.98%
Cox Communications		*	1,200	3.83%
O'Connell Landscape		*	980	3.13%
Saddleback Valley School District	396	1.99%	606	1.93%
Lucas & Mercier Construction		*	553	1.77%
Control Components Inc. (CCI)	350	1.76%	370	1.18%
Target Corporation	178	0.90%	247	0.79%
Car Sound Exhaust System, Inc.		*	207	0.66%
Capistrano Unified School District	135	0.68%	215	0.69%
PADI	200	1.01%	200	0.64%
Santa Margarita Catholic H.S.	271	1.36%	211	0.67%

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									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City Manager Full-Time	3.60	3.50	3.50	3.50	3.50	3.00	3.00	3.00	3.00	2.50
City Clerk Full-Time	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.80	2.80	2.80
Human Resources Full-Time	1.00	1.00	1.00	1.00	1.00	1.20	1.20	1.00	2.00	2.00
Finance Full-Time	4.60	4.60	4.60	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Police Services Full-Time	-	-	-	-	-	-	-	-	1.00	1.00
Bldg./Planning Full-time	6.36	6.00	6.00	6.00	6.00	5.60	5.60	5.60	5.60	5.60
Engr./Pub. Works Full-Time	5.50	5.86	5.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Comm. Services Full-Time	6.33	7.07	7.07	6.66	2.51	6.40	6.40	6.40	6.40	6.40
Admin. Services Full-Time	-	-	-	-	-	-	-	-	-	-
Total	<u>29.39</u>	<u>30.03</u>	<u>29.17</u>	<u>27.46</u>	<u>23.31</u>	<u>27.00</u>	<u>27.00</u>	<u>27.10</u>	<u>29.10</u>	<u>28.60</u>

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 2023-2024

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

FUNCTION	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
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
Streetlights	159	159	159	159	159	159	159	159	159	159
Support Vehicles	2	2	2	2	2	2	1	1	1	1
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	1	-	-	-	-	-	-	-

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

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

FUNCTION	2024	2023	2022	2021
General Government				
Financial Reports & Audits Completed	136	137	138	141
Checks/Wire Transfers	2,332	2,313	2,400	2,407
Police Services				
Physical Arrests	444	244	187	165
Parking Citations	963	1,413	1,415	1,320
Traffic Citations	4,473	2,085	2,068	1,366
Public Works				
Street Paving (miles)	7.84	4.3	9.78	8.50
Sidewalks replaced (sq. ft.)	4,300	8,257	3,644	5,235
Curb refurbished (linear feet)	39	4	40	73
Traffic signs replaced/installed	210	236	220	460
Pavement Condition Index (70 = min. acceptable)	84.1	83.7	83.2	83.8
Building and Planning				
Building Permits Issued	1,610	1,870	1,855	1,675
Building Inspections Completed	3,952	4,004	4,414	4,031
Plan Checks Performed	474	993	1,337	1,023
Community Services				
Recreational & Instructional Classes Offered	200	200	200	100
Senior Mobility Rides	2,800	2,637	350	325
Community Events Attendance	20,000	20,000	20,000	200
Community Magazine Publications	3	3	3	-

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

2020	2019	2018	2017	2016	2015
132	121	220	109	111	106
2,396	2,576	2,535	1,654	1,482	1,670
202	292	326	327	282	329
1,261	1,601	1,689	1,722	1,502	1,365
1,590	1,951	188	143	136	402
11.63	11.05	26.53	8.44	8.07	9.45
5,050	7,513	270	7,225	6,358	10,832
33	42	21	300	24,953	14,953
216	459	571	353	322	337
85.4	83.2	82.5	78.6	81.6	81.5
1,396	1,499	1,572	1,538	1,671	1,279
3,361	3,641	3,432	3,048	3,422	2,515
817	193	285	337	413	328
500	825	825	825	825	825
417	782	335	300	990	989
20,000	20,000	21,000	20,000	19,000	18,000
2	3	3	3	3	3

City of Rancho Santa Margarita
Miscellaneous Statistics
June 30, 2024

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:	46,305
Area in square miles:	13
Form of Government:	Council-Manager
Date of Incorporation:	January 1, 2000
Number of Full Time Employees:	24
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