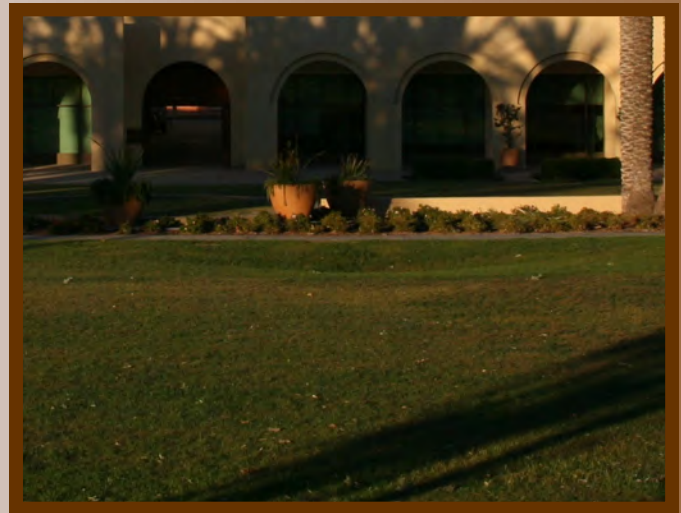
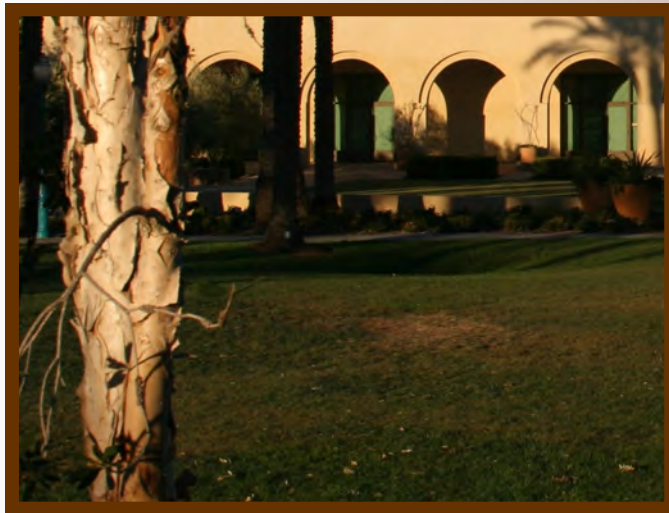


# **City of Rancho Santa Margarita California**



## **Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2009**

# **Comprehensive Annual Financial Report Year Ended June 30, 2009**



## **Finance Division**

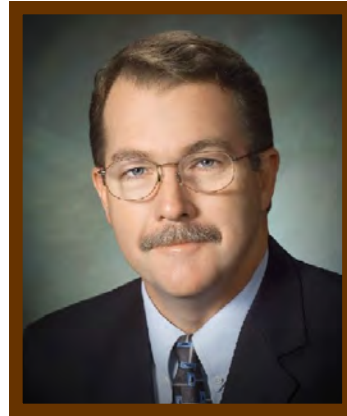
**City of Rancho Santa Margarita, California**



# City Council



GARY THOMPSON  
*Mayor*



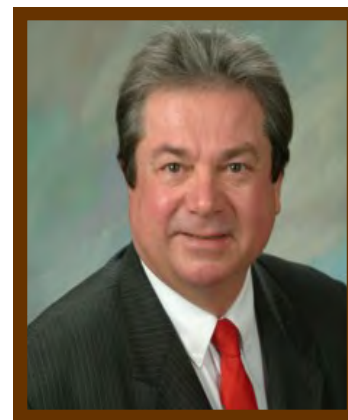
JERRY HOLLOWAY  
*Mayor Pro Tempore*



L. ANTHONY BEALL  
*Council Member*



NEIL C. BLAIS  
*Council Member*



JAMES M. THOR  
*Council Member*

**City of Rancho Santa Margarita, California**

**CITY OF RANCHO SANTA MARGARITA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION:</b>	<u>Page</u>
Transmittal Letter	1
Attachment A - Economic Condition and Outlook	3
Attachment B - Major Projects for the Year and for the Future	4
Attachment C - Other Information	6
GFOA Certificate of Achievement for Excellence in Financial Reporting	9
Organization Chart	10
List of Principal Officials	11
<b>FINANCIAL SECTION:</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	13
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	15
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	27
Statement of Net Assets	28
Statement of Activities	29
Fund Financial Statements:	
Governmental Funds	31
Balance Sheet	32
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	33
Statement of Revenues, Expenditures and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	35

**CITY OF RANCHO SANTA MARGARITA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS, (Continued)**

<b>FINANCIAL SECTION, (Continued):</b>	<u>Page</u>
<b>BASIC FINANCIAL STATEMENTS, (Continued)</b>	
Notes to the Basic Financial Statements	37
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule:	67
General Fund	68
Notes to Required Supplementary Information	69
<b>SUPPLEMENTARY SCHEDULES</b>	
Non-Major Governmental Funds:	73
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	76
Budgetary Comparison Schedules:	78
Gas Tax	79
Measure M	80
Air Quality Management District	81
California Law Enforcement Equipment Program	82
Traffic Congestion	83
Supplemental Law Enforcement Services	84
Non-Profit Debt Service	85
Capital Projects	86

**CITY OF RANCHO SANTA MARGARITA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS, (Continued)**

<b>STATISTICAL SECTION:</b>	<b><u>Page</u></b>
Statistical Section	87
Net Assets by Component	88
Changes in Net Assets	90
Fund Balances of Governmental Funds	92
Changes in Fund Balances of Governmental Funds	94
Taxable Sales by Category	96
Tax Revenues by Source - Governmental Funds	98
Assessed Value and Estimated Actual Value of Taxable Property	99
Direct and Overlapping Property Tax Rates	100
Principal Property Tax Payers	102
Property Tax Levies and Collections	103
Ratio of Outstanding Debt by Type	104
Ratio of General Bonded Debt Outstanding	105
Direct and Overlapping Bonded Debt	106
Legal Debt Margin	108
Demographic and Economic Statistics	110
Principal Employers	111
Full-time and Part-time City Employees by Function	112
Capital Asset Statistics	113
Operating Indicators by Function	114
Miscellaneous Statistics	116

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# INTRODUCTORY SECTION



**City of Rancho Santa Margarita, California**





## CITY OF RANCHO SANTA MARGARITA

**Mayor**

Gary Thompson

**Mayor Pro Tempore**

Jerry Holloway

**Council Members**

L. Anthony Beall

Neil C. Blais

James M. Thor

**City Manager**

Steven E. Hayman

December 15, 2009

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

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

In addition to the fund-by-fund financial information previously presented in the City's financial statements, we now include government-wide financial statements. The government-wide financial statements include a Statement of Net Assets 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 versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, this reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These statements combined with other information are further analyzed in a narrative section called Management's Discussion and Analysis (MDA). The MDA provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MDA is intended to disclose any known significant events or decisions that affect the financial condition of the City.

The City of Rancho Santa Margarita took a leadership role in implementing GASB 34. The City's early implementation in 2001, before the 2003 deadline, enabled the City Council and residents of Rancho Santa Margarita to become more aware of the benefits and information contained in this financial reporting model.

The City added infrastructure capitalization in fiscal year 2002. In fiscal year 2003, the City implemented the modified approach for its pavement subsystem, which allows those infrastructure assets to be *non-depreciable*, while establishing a commitment from the City to maintain these infrastructure assets at a minimum acceptable level of condition. In fiscal years 2004, 2007 and 2008, the City performed a condition assessment of the pavement subsystem, which is required every two years for Measure M transportation funding eligibility and every three years for financial reporting purposes, and affirmed that these infrastructure assets are above the condition level established by the government. The City of Rancho Santa Margarita is proud to be on the leading edge of local governmental financial reporting.

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

Included as a part of this letter are several attachments that provide important information regarding the operations and economic environment of the City. The attachments are summarized as follows:

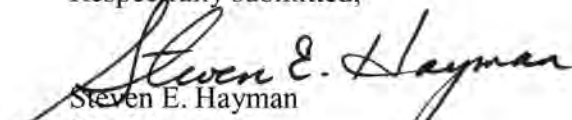
<u>Attachment</u>	<u>Content</u>
-------------------	----------------

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

The Comprehensive Annual Financial Report of the City of Rancho Santa Margarita for the fiscal year ended June 30, 2009 is hereby presented. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City. All disclosures necessary to enable an understanding of the City's financial activities have been included.

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

Respectfully submitted,

  
Steven E. Hayman  
City Manager

## **ATTACHMENT A**

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

Rancho Santa Margarita is located 58 miles south-east of Los Angeles. The City is distinguished by its high-end residential neighborhoods and small-town charm. Sales, motor vehicle in-lieu, and property taxes make up approximately eighty-two percent of the City's general revenues.

This is the City's ninth fiscal year since incorporation, and the seventh consecutive year that the City provided and paid the full cost of all services transitioned from Orange County, including contractual Police Services, which account for 43% of General Fund expenditures.

For the fiscal year ended June 30, 2009 the City weathered a significant economic downturn while it funded all services by utilizing operating revenues and allocating a portion of unreserved General Fund balance; due to the fact that General Fund expenditures exceeded revenues by \$3,274,340. Notably, approximately \$2.56 million of that allocation was authorized by the City Council pursuant to its reserves policy, for the purchase of land as a component of the City's successful settlement of litigation with the County of Orange.

Due to the economic downturn that accelerated during the fall of 2008, actual revenues for Fiscal Year 2009 declined vs. budgeted revenues by \$1,766,851, or 10%, primarily due to lower sales tax and property tax revenues. Not including the onetime land purchase expenditure, General Fund operating expenditures were reduced \$1,158,907 from budgeted amounts, through cost cutting measures, without affecting core City service levels to residents and businesses. After subtracting the onetime land purchase expenditure and interfund transfers, operating expenditures exceeded operating revenues for the General Fund by \$502,096 (a deficit) vs. the original budget estimate surplus of \$105,848.

Sales tax revenues are the City's largest revenue source at \$5,145,381, or 35% of general revenue for the fiscal year ended June 30, 2009. Motor vehicle in-lieu taxes of \$4,012,068 make up the City's second largest revenue source at 27% of general revenues. Property taxes of \$2,199,059 account for 15% of general revenues.

The City expects sales tax revenue, which fell during Fiscal Year 2009 and continued declining in the first part of the current fiscal year, to slowly moderate those declines and stabilize, as consumer and business spending for goods and services recovers. Coincidentally, due to decreased sales tax revenue the City will not be obligated to make an incorporation-related revenue neutrality payment to the County of Orange during the upcoming fiscal year. Additionally, the City's outlook for declining current year property tax revenue continues to be cautious due to declines in its property tax valuation base that will not likely recover quickly. A prolonged economic downturn could erode consumer confidence; reduce business pricing power and investment, and worsen regional and state budgets positions; further decreasing future sales tax, motor vehicle in-lieu and property taxes received from the State of California and Orange County. However, certain data points to slowly improving general business conditions, despite continued higher than normal unemployment anticipated in coming months.

## **ATTACHMENT B**

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

#### **Land Settlement**

The City settled a multi-year dispute with Orange County over land transfers from the City's incorporation in 2000. As part of the settlement, the City purchased an environmentally significant 15 acre parcel of land and agreed to convey it to the County. Similarly, the County will convey 92 acres to the City that contains some land that may be developable and economically useful. As a result of the settlement, the city will have the opportunity to develop one of the largest sports parks in South Orange County. Also, the City will take steps to enhance at least 80 acres of other land to native habitat conditions. The final settlement is anticipated to occur in the current fiscal year, with restoration plan production and implementation activities to occur over the next three to four following years.

#### **Credit Rating Upgrade**

Standard & Poor's Rating Services raised the City's credit rating on its Certificates of Participation, issued to finance the construction of the City Hall and Bell Tower Regional Community Center-Civic Center Plaza. The credit rating was upgraded three levels, to AA+, the second highest available rating. The upgrade was based, in S&P's opinion, on the City's prudent financial management over the last several years producing healthy General Fund surpluses, and the City Council's newly formalized Reserves Policy to maintain and manage those reserves.

#### **Public Safety**

For the eighth consecutive year the City has been identified in Federal Bureau of Investigation (FBI) 2008 Uniform Crime Report as one of the safest communities in Orange County. The City was ranked as the third highest of 34 Orange County cities, and sixth highest of 227 cities in California, in its population category.

#### **Public Works improvements**

The City made citywide bus stop improvements, totaling \$477,386 during the past fiscal year. The City constructed, or purchase and installed, the shelters, bus benches and trash receptacles at 36 locations throughout the City. The project was coordinated with the City's largest homeowner's association, who contributed funding for the project, and will maintain the shelters. Additionally, the City spent \$344,829 for removal and replacement of bridge joints on the Santa Margarita Parkway Bridge and the Antonio Parkway Bridge,



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

which the City owns. The City also added guard railing to the interior of the Santa Margarita Parkway Bridge and modified the southern exterior railing on the eastbound structure, at a cost of \$195,312. An ongoing project will provide traffic signal pre-emption for emergency vehicles per Orange County Fire Authority specifications at approximately 23 intersections in the City.

### **Community Services Programs**

Beginning in fiscal year 2002, the City's Community Services Division has hosted an annual New Year's Eve event, with great success. This event has been held each New Year's Eve since and is planned for January 1, 2010, which will also be the City's tenth anniversary. In the current year the department held the fourth annual 5K Fun Run Event on Labor Day. The event continued as a huge success. This fiscal year the city continued to provide concerts in the park during the summer months, with the third annual series being received with great success. City staff believes this will continue to be an added benefit for our residents. Community Services staff continued adding programs and activities at the Bell Tower Regional Community Center, since assuming operations of the facility in July 2008, from a community foundation. The City continues to collaborate with community partner tenants who provide youth, teen and senior services programs in the City-owned Center and seeks to expand opportunities for community participation and utilization in the Center for the foreseeable future.

### **Housing Element Update**

The California Government Code requires all cities and counties to adopt a comprehensive, long-term general plan for the physical development of the county or city. The City of Rancho Santa Margarita adopted its General Plan in December 2002. The State has identified seven mandated elements for all general plans: land use, circulation, housing, conservation, open space, noise and safety. Of the required elements, only one, the housing element, must be reviewed by the State Housing and Community Development Department (HCD). In 2002, State HCD certified the City's General Plan Housing Element. State Law also requires that all housing elements be updated every five years, subject to the schedule of periodic housing needs review established by the State. Currently, the deadline for all cities within the Southern California Association of Governments (SCAG) subregion were required to update housing elements for 2006-2014 by June 2008. Although most cities in the State of California have not yet adopted and certified housing element updates for this period, the City is anticipating adopting its Updated Housing Element on December 9, 2009. Once the City Council takes final action on the document it will be submitted for final certification by HCD.



## **ATTACHMENT C**

### ***OTHER INFORMATION***

#### **Records Inventory and Contract Documents**

The management of the City is responsible for establishing and maintaining a system of record keeping and information about contract documents and other items to ensure that proper documentation exists of the City's official record. The City Clerk, through its Records Management Program maintains files and archives related to City transactions and agreements. Staff has performed an inventory of existing records and contract documents as part of a records system upgrade of processes, as well as migrating existing data to an enhanced database and storage network.

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

As a recipient of Federal, State and County financial resources, the City also is 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's has incorporated those elements into its current internal control structure, which is subject to ongoing monitoring and periodic evaluation by the management of the City, and the City's independent auditors.

#### **Independent Audit**

That evaluation process occurs when the annual independent audit of the City's financial statements is conducted, as completed recently. The accounting firm of Mayer Hoffman McCann P.C. was appointed 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; and procedures were performed to determine the adequacy of the internal control structure, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's annual audit for the fiscal year ended June 30, 2009 revealed no instances of material weaknesses or significant deficiencies in the internal control structure, or violations of applicable laws and regulations. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The City received what is commonly referred to as an unqualified audit opinion.

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

### **Interim Budgetary Review**

In addition, the City maintains budgetary controls. The objective of the budgetary controls is to reasonably ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The annual budget for Fiscal Year 2009 was adopted by the City Council at a public hearing, following several budget development study sessions. Activities of the General, Special Revenue, Debt Service and Capital Projects Funds are included in the annual appropriated budget. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Additionally, the City Council has requested and received interim updates of budgetary performance and variance analysis. The updates are intended to provide additional support for staff to monitor and adjust budgeted revenues and expenditures based on comparisons to current and historical activity, and to aid City Council discussions and decisions regarding the City's budget.

### **Risk Management**

The City purchases general liability, workers' compensation, and property insurance, as well as fidelity bond coverage, to guard against risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Insurance payments are made from the City's general fund. All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices. There are no known existing claims that would exceed the City's applicable coverage.

### **Reserves Policy**

A continuing priority of the City Council has been to exercise prudent financial management, provide long term financial planning, and strong internal control of City asset uses, by adopting a policy regarding the City's accumulated net resources, called fund balance. The City Council completed an annual review of the City's Reserves Policy and adopted to designate \$13,955,114 to several categories of available fund balance. Designations essentially reflect a government's self-imposed limitations on the use of otherwise available current financial resources. The designation categories are: Emergency, Council Strategic, Technology, Facilities, Vehicles, and Infrastructure.

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

### **Purchasing Policy and Contracts Administration**

The City has engaged in an ongoing assessment and enhancement of procedures and practices for procurement of goods and services as a component of its delivery of City services to residents and businesses. Revisions to the city's standardized agreements to ensure the quality and suitability of the City's desired program objectives and risk management practices were begun in the past fiscal year and will continue in the current year.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Santa Margarita for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. 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 Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual 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 eighth 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, 2009.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
City of Rancho Santa Margarita  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



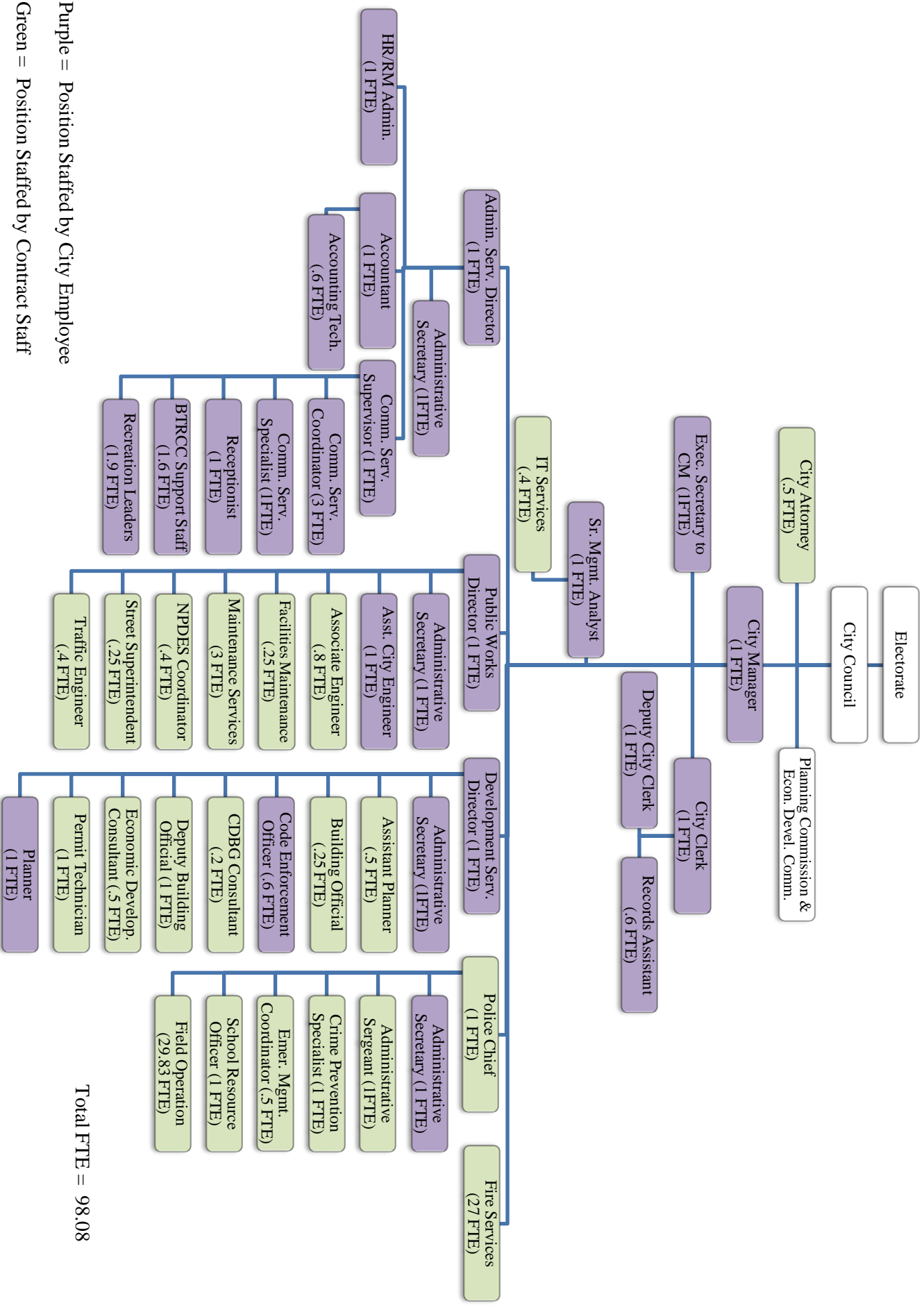
A handwritten signature in black ink, appearing to read "K. L. R.", is written above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title "Executive Director".

Executive Director

# City of Rancho Santa Margarita ORGANIZATION CHART





# City of Rancho Santa Margarita

## LIST OF PRINCIPAL OFFICIALS

Council – Manager Form of Government

### CITY COUNCIL

GARY THOMPSON  
Mayor

JERRY HOLLOWAY  
Mayor Pro Tem

L. ANTHONY BEALL  
Council Member

NEIL C. BLAIS  
Council Member

JAMES M. THOR  
Council Member

### CITY ADMINISTRATION

STEVEN E. HAYMAN  
City Manager/City Treasurer

Paul Boyer, Administrative Services Director/Finance Director

Kathleen Haton, Planning/Community Development Director

Greg Simonian, City Attorney

Molly McLaughlin, City Clerk

Lieutenant Chuck Wilmot, Chief of Police Services

Wendi Redington, Community Services Supervisor

Derek Wieske, City Engineer/Public Works Director

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# FINANCIAL SECTION

FINANCIAL SECTION



**City of Rancho Santa Margarita, California**



**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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Irvine, California 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

The Honorable Mayor and City Council  
City of Rancho Santa Margarita  
Rancho Santa Margarita, California

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Rancho Santa Margarita. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, of the City of Rancho Santa Margarita, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rancho Santa Margarita's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



The Honorable Mayor and City Council  
City of Rancho Santa Margarita  
Rancho Santa Margarita, California  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman Melann P.C.*

Irvine, California  
December 11, 2009



# MANAGEMENT'S DISCUSSION AND ANALYSIS



**City of 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 ended June 30, 2009. 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 assets of the City exceeded its liabilities, at June 30, 2009, by \$131.2 million (*net assets*). Of this amount, \$13.6 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific City programs.
- The government's total net assets decreased by \$1.4 million during the fiscal year ended June 30, 2009. This decrease in net assets was primarily attributable to an overall decrease of \$2.1 million in revenue directly related to the down turn in the economy. Sales tax revenue decreased \$1.3 million and interest revenue decreased \$0.5 million.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$19.6 million, a decrease of \$3.2 million in comparison with the prior year. Approximately 95 percent of this total amount, \$18.6 million is available for spending at the government's discretion (*unreserved fund balance*).
- At June 30, 2009, the unreserved fund balance for the City's General Fund of \$14.0 million equaled 77 percent of total General Fund expenditures for the fiscal year ended June 30, 2009. This represents a decrease of \$3.1 million or 18.0 percent over prior year. However, the City Council has designated \$14.0 million of this unreserved fund balance for specific purposes as identified in Notes to the Basic Financial Statements, Note 11.
- The City's total long-term liabilities decreased by \$237,000 (1.8 percent) during the current fiscal year. This decrease reflects payment made for principal retirement on Certificates of Participation issued for the building of City Hall and the Bell Tower Regional Community Center.

See Independent Auditors' Report

## 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases in the net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and the Capital Projects Fund 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, Capital Projects Funds, and the Rancho Santa Margarita Non-Profit Debt Service Fund. The supplementary financial information also includes budgetary comparison schedules for the non-major governmental funds to demonstrate compliance with the annual budget as adopted and amended. These

See Independent Auditors' Report

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 Non-Profit Corporation, 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 in the non-major fund 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 assets (86 percent) reflects its 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 is 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**  
**Summary of Net Assets**  
As of June 30, 2009 and 2008  
(in thousands)

	<b>Governmental Activities</b>	
	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Current and other assets	\$ 20,949	\$ 24,327
Capital assets	<u>124,245</u>	<u>122,683</u>
Total assets	<u>145,194</u>	<u>147,010</u>
<b>Liabilities:</b>		
Long-term liabilities	12,480	12,717
Other liabilities	<u>1,524</u>	<u>1,735</u>
Total liabilities	<u>14,004</u>	<u>14,452</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	111,995	110,153
Restricted	5,572	5,672
Unrestricted	<u>13,623</u>	<u>16,733</u>
Total net assets	<u>\$ 131,190</u>	<u>\$ 132,558</u>

During the fiscal year ended June 30, 2009, net assets of the City decreased 1.03 percent to \$131.2 million, of which \$112.0 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$5.6 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$13.6 million, a decrease of 18.6 percent over the prior year total of \$16.7 million, is subject to designation for specific purposes as approved by the City Council, but may be used to meet the City's ongoing obligations.

See Independent Auditors' Report

**City of Rancho Santa Margarita**  
**Summary of Changes in Net Assets**  
For the Years Ended June 30, 2009 and 2008  
(in thousands)

	<b>Governmental Activities</b>	
	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Program revenues:		
Charges for service	\$ 1,163	\$ 1,069
Operating grants and contributions	2,758	3,055
General revenues:		
Sales taxes	5,145	6,400
Property taxes	2,199	2,262
Other taxes	5,673	5,733
Other revenues	267	271
Investment revenue	422	905
Total revenues	<u>17,627</u>	<u>19,695</u>
<b>Expenses</b>		
General government	4,543	4,794
Building and planning	1,065	1,148
Public safety	8,040	7,642
Public works	4,787	6,081
Interest on long-term debt	560	569
Total expenses	<u>18,995</u>	<u>20,234</u>
Excess of revenues over expenses	<u>(1,368)</u>	<u>(539)</u>
<b>Increase (Decrease) in net assets</b>	(1,368)	(539)
Beginning net assets	<u>132,558</u>	<u>133,097</u>
Ending net assets	<u>\$ 131,190</u>	<u>\$ 132,558</u>

See Independent Auditors' Report

Overall, Citywide revenues for the fiscal year ended June 30, 2009 decreased by \$2.1 million a 11 percent decrease over the prior year. The majority of the decrease was attributed to general revenues (other taxes).

- Total program revenues of \$3.9 million were 22 percent of total revenues.
- Total general revenues of \$13.7 million were 78 percent of total revenues.

Total related expenses increased by \$1.2 million, a 6.1 percent increase from the prior year. Public Works expenditures, which account for 25 percent of the total expenditures, were used primarily for Bus Stop Improvements and SMP Bridge Joint Replacement and Lighting. Public Safety expenditures accounted for 42 percent of total current expenditures. Expenditure increases reflected growth in demand for services and inflation effects.

## **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, 2009, the City's governmental funds reported total combined ending fund balances of \$19.57 million, a decrease of \$3.17 million from the prior year. Approximately 95 percent of the City's governmental funds ending fund balances, or \$18.59 million, constitutes *unreserved fund balance*, which is available for spending at the government's direction. The remainder of fund balance, \$0.98 million, is *reserved* to indicate that it is not available for new spending, because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period (\$0.09 million), 2) pay debt service (\$0.85 million), 3) 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, 2009, unreserved fund balance of the general fund was \$13.96 million, while total fund balance was \$13.99 million. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 77 percent of the total General Fund expenditures. As mentioned above, however, the City Council has designated \$13.96 million of this unreserved fund balance for specified purposes.

For the fiscal year ended June 30, 2009, the cash and investments balance in the General Fund was \$14.24 million, a decrease of \$2.91 million from the prior fiscal year.

See Independent Auditors' Report

**City of Rancho Santa Margarita**  
**Summary of Changes in Fund Balances - General Fund**  
For the Year Ended June 30, 2009 and 2008  
(in thousands)

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Taxes	\$ 7,551	\$ 8,855
Fees and permits	1,736	1,835
Charges for service	607	327
Intergovernmental	4,188	4,304
Investment revenue	292	652
Other	540	592
Total revenues	<u>14,914</u>	<u>16,565</u>
<b>Expenditures</b>		
General Government	4,497	4,741
Building and planning	1,060	1,134
Public safety	7,900	7,483
Public works	2,158	2,244
Capital outlay	2,573	53
Total expenditures	<u>18,188</u>	<u>15,655</u>
Excess of revenues over expenditures	(3,274)	910
Net transfers	<u>206</u>	<u>62</u>
<b>Increase (Decrease) in Fund Balance</b>	<u><u>\$ (3,068)</u></u>	<u><u>\$ 972</u></u>

Overall, general fund revenues for the fiscal year ended June 30, 2009 decreased by \$1.65 million, or 10 percent, under the prior year. Individual components of this change are summarized as follows and refer to comparisons detailed in the Summary of Changes in Net Assets presented on a prior page:

- Property tax revenues of the General Fund decreased by \$0.06 million, to \$2.20 million, due to decreases in assessed valuations.
- Sales tax revenues decreased \$1.26 million, to \$5.10 million, due to the effects of decreased general consumer spending and auto sales.
- Investment income revenues decreased by \$0.36 million, to \$0.29 million, due to the overall changes in the economy and the effects on interest rates in general.

See Independent Auditors' Report

Changes in General Fund expenditures, by function, occurred as follows during the year ended June 30, 2009:

- General government expenditures decreased by \$0.24 million, to \$4.50 million. This reflects a decrease in professional services provided by independent contractors.
- Public safety expenditures increased by \$0.42 million to \$7.90 million, due to increased contract costs associated with police services provided by the Orange County Sheriff's Department.
- Public works expenditures decreased by \$0.09 million, to \$2.16 million, reflecting decreased costs associated with staffing vacancies.
- Building and planning expenditures decreased by \$0.07 million, to \$1.06 million, reflecting a decline in building and development activity within the city.

#### **General Fund Budgetary Highlights**

Differences between the General Fund expenditures and the final amended budget were \$1.41 million and can be briefly summarized as follows:

- \$0.79 million in miscellaneous decreases in general government activities.
- \$0.13 million in decreases allocated to public safety activities.
- \$0.14 million in decreases allocated to public works.
- \$0.04 million in increases for building and planning activities.
- \$2.48 million in increases allocated to capital outlay.

These overall decreases can be attributed to the conservative spending maintained through the fiscal year as well as the conservative budgeting of anticipated revenues for the year. There were no differences between the original and amended general fund budgets.

The increase in capital outlay and the corresponding budget variance is a result of a onetime special allocation of General Fund balance as authorized by the City Council in the amount of \$2.56 million for the purchase of land as a component of the City's successful settlement of litigation with the County of Orange.

#### **Other Major Funds Budgetary 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. Fund balance decreased by \$0.16 million due to expenditures of \$1.38 million in capital outlay for circulation capital projects. The fund balance of \$2.08 million is unreserved and available for future capital project expenditures.



## Capital Asset and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$124.25 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1.27 percent.

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

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,084	\$ 2,566	\$ -	\$ 4,650
Land - right of way	43,740	-	-	43,740
Infrastructure - pavement	46,513	24	-	46,537
Total capital assets not being depreciated	<u>92,337</u>	<u>2,590</u>	<u>-</u>	<u>94,927</u>
Capital assets, being depreciated:				
Buildings	16,619	-	-	16,619
Parks	906	-	-	906
Machinery and equipment	371	7	-	378
Infrastructure	59,454	1,234	-	60,688
Total capital assets being depreciated	<u>77,350</u>	<u>1,241</u>	<u>-</u>	<u>78,591</u>
Less accumulated depreciation for:				
Buildings	2,216	554	-	2,770
Parks	107	36	-	143
Machinery and equipment	296	33	-	329
Infrastructure	44,385	1,646	-	46,031
Total accumulated depreciation	<u>47,004</u>	<u>2,269</u>	<u>-</u>	<u>49,273</u>
Total capital assets, being depreciated, net	<u>30,346</u>	<u>(1,028)</u>	<u>-</u>	<u>29,318</u>
Governmental activities capital assets, net	<u>\$ 122,683</u>	<u>\$ 1,562</u>	<u>\$ -</u>	<u>\$ 124,245</u>

See Independent Auditors' Report

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

- Additions to land were \$2.56 million, as a result of the City's successful settlement of litigation with the County of Orange.
- Infrastructure additions for the year totaled \$1.26 million related to the major improvements on Santa Margarita Pkwy. and Antonio Pkwy bridges, Camino Altozano traffic signal, and bus stops throughout the city.
- Machinery and Equipment acquisitions of \$0.01 million included additions to the City's computer network system.

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 their 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 accepted the findings of the Pavement Condition Assessment Update in Fiscal Year 2008 and adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. The assessed PCI was an average of 76.5, or very good. This average PCI was increased over the last update in 2007. Actual expenses for pavement condition maintenance were less than budgeted amounts due to conservative cost estimates.

### Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$12.25 million.

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

	Balance			Balance		Long-	Due Within
	June 30, 2008	Increases	Decreases	June 30, 2009		Term	One Year
<b>Certificates of Participation</b>	\$ 12,530	\$ -	\$ 280	\$ 12,250	\$ 11,960		\$ 290
<b>Compensated Absences</b>	187	129	86	230	140		90
<b>Long-Term Liabilities Total</b>	<u>\$ 12,717</u>	<u>\$ 129</u>	<u>\$ 366</u>	<u>\$ 12,480</u>	<u>\$ 12,100</u>		<u>\$ 380</u>

See Independent Auditors' Report

Long-term debt-related events during the fiscal year ended June 30, 2009 included:

- Compensated absences liabilities increased by \$0.13 million and payouts to employees amounted to \$0.09 million.
- Interest accrued on the Certificates of Participation for the fiscal year ended June 30, 2009 totaled \$0.14 million.

Additional information on the City's long-term debt can be found entitled Note 1 – Reporting Entity and Summary of Significant Accounting Policies and Note 6 – 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. However, because the City is still developing, 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 the "Orange County Economic Forecast" prepared by Chapman University's Center for Economic Research as an information source for review of economic trends, in developing its budget model. Other data sources used by the City include UCLA Anderson School of Management and California State University Fullerton – Institute for Economic and Environmental Studies. 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 2009-2010 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 Director of Administrative Services, at the City of Rancho Santa Margarita, 22112 El Paseo, Rancho Santa Margarita, California, 92688.

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS



**City of Rancho Santa Margarita, California**

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

### THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities 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 assets* and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. 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, to assess the *overall health* of the City.

The Statement of Net Assets 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 ASSETS**  
**JUNE 30, 2009**

	<b><u>Governmental Activities</u></b>
Assets:	
Cash and investments (note 2)	\$ 18,797,256
Cash and investments with fiscal agent (note 2)	853,178
Receivables:	
Due from other governments	964,304
Accrued interest	52,620
Accounts, net	281,735
Non-depreciable capital assets (note 4)	94,927,282
Depreciable capital assets (note 4)	78,591,096
Less: accumulated depreciation (note 4)	<u>(49,273,814)</u>
Total assets	<u>145,193,657</u>
Liabilities:	
Accounts payable	668,991
Accrued liabilities	3,355
Wages payable	3,053
Unearned revenue	633,051
Deposits payable	75,478
Interest payable	139,459
Non-current liabilities (note 6):	
Due within one year	380,224
Due in more than one year	<u>12,099,897</u>
Total liabilities	<u>14,003,508</u>
Net assets:	
Invested in capital assets, net of related debt	111,994,564
Restricted for:	
Public safety	138,058
Public works	4,581,005
Debt service	853,178
Unrestricted	<u>13,623,344</u>
Total net assets	<u><u>\$ 131,190,149</u></u>

See Independent Auditors' Report and Notes to the Basic Financial Statements.

**CITY OF RANCHO SANTA MARGARITA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

		<u>Program Revenues</u>			<u>Net Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
Governmental activities:					
General government	\$ 4,542,993	\$ 345,078	\$ 25,742	\$ -	\$ (4,172,173)
Building and planning	1,064,493	482,309	140,857	-	(441,327)
Public safety	8,040,476	274,251	84,959	-	(7,681,266)
Public works	4,786,938	61,750	2,506,553	-	(2,218,635)
Interest expense	560,110	-	-	-	(560,110)
Total governmental activities	<u>\$ 18,995,010</u>	<u>\$ 1,163,388</u>	<u>\$ 2,758,111</u>	<u>\$ -</u>	<u>(15,073,511)</u>
General revenues:					
Taxes:					
Property taxes					2,199,059
Sales taxes					5,145,381
Real property transfer taxes					206,466
Motor vehicle in-lieu tax, unrestricted intergovernmental					4,012,068
Franchise tax					1,453,986
Investment income					422,358
Other					266,475
Total general revenues					<u>13,705,793</u>
Change in net assets					(1,367,718)
Net assets at beginning of year					<u>132,557,867</u>
Net assets at end of year					<u>\$ 131,190,149</u>

See Independent Auditors' Report and Notes to the Basic Financial Statements.

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# FUND FINANCIAL STATEMENTS

FUND FINANCIAL  
STATEMENTS



**City of 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.

### **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, 2009**

<b>Assets</b>	<b>General</b>	<b>Capital Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
Cash and investments	\$ 14,242,157	\$ 2,158,448	\$ 2,396,651	\$ 18,797,256
Cash with fiscal agent	-	-	853,178	853,178
Receivables:				
Due from other governments	708,490	-	255,814	964,304
Accrued interest	36,787	4,720	11,113	52,620
Accounts, net	281,735	-	-	281,735
Total assets	<u>\$ 15,269,169</u>	<u>\$ 2,163,168</u>	<u>\$ 3,516,756</u>	<u>\$ 20,949,093</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 561,308	\$ 83,926	\$ 23,757	\$ 668,991
Accrued liabilities	3,355	-	-	3,355
Wages payable	3,053	-	-	3,053
Deferred revenue	633,051	-	-	633,051
Deposits payable	75,478	-	-	75,478
Total liabilities	<u>1,276,245</u>	<u>83,926</u>	<u>23,757</u>	<u>1,383,928</u>
Fund balance:				
Reserved for debt service	-	-	853,178	853,178
Reserved for encumbrances	7,810	87,264	-	95,074
Reserved for self insurance	30,000	-	-	30,000
Unreserved, designated in:				
General fund	13,955,114	-	-	13,955,114
Unreserved, undesignated in:				
Special revenue funds	-	-	2,639,821	2,639,821
Capital project funds	-	1,991,978	-	1,991,978
Total fund balance	<u>13,992,924</u>	<u>2,079,242</u>	<u>3,492,999</u>	<u>19,565,165</u>
Total liabilities and fund balance	<u>\$ 15,269,169</u>	<u>\$ 2,163,168</u>	<u>\$ 3,516,756</u>	<u>\$ 20,949,093</u>

See Independent Auditors' Report and 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 ASSETS  
JUNE 30, 2009**

Fund balances of governmental funds	\$ 19,565,165
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	124,244,564
Long term debt and compensated absences have not been included in the governmental fund activity:	
Certificates of Participation Payable	(12,250,000)
Accrued Interest Payable	(139,459)
Compensated Absences Payable	(230,121)
Net assets of governmental activities	<u><u>\$ 131,190,149</u></u>

See Independent Auditors' Report and 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, 2009**

	<b>General</b>	<b>Capital Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
Revenues:				
Taxes	\$ 7,550,906	\$ -	\$ -	\$ 7,550,906
Fees and permits	1,736,087	-	-	1,736,087
Intergovernmental	4,187,783	743,443	1,838,953	6,770,179
Charges for services	607,036	-	-	607,036
Investment income	291,574	36,680	94,104	422,358
Fines, forfeits and penalties	274,251	-	-	274,251
Other	266,475	-	-	266,475
Total revenues	<u>14,914,112</u>	<u>780,123</u>	<u>1,933,057</u>	<u>17,627,292</u>
Expenditures:				
Current:				
General government	4,496,860	-	-	4,496,860
Building and planning	1,059,697	-	-	1,059,697
Public safety	7,900,118	-	119,778	8,019,896
Public works	2,158,260	124,900	262,477	2,545,637
Capital outlay	2,573,517	1,257,592	-	3,831,109
Debt Service:				
Principal Retirement	-	-	280,000	280,000
Interest	-	-	562,385	562,385
Total expenditures	<u>18,188,452</u>	<u>1,382,492</u>	<u>1,224,640</u>	<u>20,795,584</u>
Excess (deficiency) of revenues over expenditures	<u>(3,274,340)</u>	<u>(602,369)</u>	<u>708,417</u>	<u>(3,168,292)</u>
Other financing sources (uses):				
Transfers in (note 3)	1,005,983	786,551	800,090	2,592,624
Transfers out (note 3)	(800,090)	(200,000)	(1,592,534)	(2,592,624)
Total financing sources (uses)	<u>205,893</u>	<u>586,551</u>	<u>(792,444)</u>	<u>-</u>
Net change in fund balances	(3,068,447)	(15,818)	(84,027)	(3,168,292)
Fund balances, beginning of year	<u>17,061,371</u>	<u>2,095,060</u>	<u>3,577,026</u>	<u>22,733,457</u>
Fund balances, end of year	<u>\$ 13,992,924</u>	<u>\$ 2,079,242</u>	<u>\$ 3,492,999</u>	<u>\$ 19,565,165</u>

See Independent Auditors' Report and 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, 2009**

Net change in fund balances - total governmental funds	\$ (3,168,292)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Expenditures	3,831,109
Depreciation of Capital Assets	(2,269,208)

Compensated absences, the mitigation obligation payable and accrued interest payable 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:

Compensated absences	(43,602)
Retired Principal on long term debt (Certificate of Participation)	280,000
Accrued Interest Payable on long term debt (Certificate of Participation)	<u>2,275</u>

Change in net assets of governmental activities	<u><u>\$ (1,367,718)</u></u>
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See Independent Auditors' Report and Notes to the Basic Financial Statements.

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# NOTES TO THE FINANCIAL STATEMENTS



**City of Rancho Santa Margarita, California**

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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. The fiscal year ending June 30, 2009 was the seventh year that the City paid the full cost for all these services.

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 City of Rancho Santa Margarita Nonprofit Corporation.

City of Rancho Santa Margarita Nonprofit Corporation (RSMNP) was formed on August 21, 2003 as a non-profit California corporation in order to facilitate the financing of the City Hall and Regional Community Center and future financing and refinancing projects of the City. The RSMNP is a separate legal entity from the City and is governed by a three-member Board of Directors consisting of designated City officers. The City has entered into non-cancelable long-term leases with RSMNP which provide for lease payments in amounts sufficient to meet the annual debt service requirements on the certificates of participation issued by RSMNP to finance the construction projects. The leases are financing arrangements which transfer ownership of the constructed assets to the City at the end of the lease term. The financial data of RSMNP has been blended into various City funds as applicable and the capitalized leases have been eliminated.



**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (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.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

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.

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.

**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, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. 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 net current assets. *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.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

Sales taxes, property taxes, franchise taxes, 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. 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. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund-type revenue represented by non-current receivables is deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, 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 an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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

(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.

(c) Explanation of differences between governmental funds Balance Sheet and the government-wide Statement of Net Assets

“Total fund balances” of the City’s governmental funds \$19,565,165 differs from “net assets” of governmental activities \$131,190,149 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the governmental fund Balance Sheets.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$173,518,378
Accumulated depreciation	<u>(49,273,814)</u>
Net capital assets	<u>\$124,244,564</u>

Long-term Liabilities Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets. Balances at June 30, 2009 were:

Long-term debt	\$12,250,000
Interest payable	139,459
Compensated absences	<u>230,121</u>
Net long-term liabilities	<u>\$12,619,580</u>

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated .

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

**(d) Explanation of differences between governmental funds Balance Sheet and the government-wide Statement of Net Assets**

<b>Assets</b>	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Long-term Debt Transactions</b>	<b>Accrued Interest Payable</b>	<b>Compensated Absences</b>	<b>Statement of Net Assets</b>
Cash and investments	\$ 18,797,256	\$ -	\$ -	\$ -	\$ -	\$ 18,797,256
Restricted cash with fiscal agent	853,178	-	-	-	-	853,178
Receivables:						
Due from other governments	964,304	-	-	-	-	964,304
Accrued interest	52,620	-	-	-	-	52,620
Accounts, net	281,735	-	-	-	-	281,735
Non-depreciable capital assets	-	94,927,282	-	-	-	94,927,282
Depreciable capital assets	-	78,591,096	-	-	-	78,591,096
Less: accumulated depreciation	-	(49,273,814)	-	-	-	(49,273,814)
<b>Total assets</b>	<b>\$ 20,949,093</b>	<b>\$ 124,244,564</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 145,193,657</b>
<b>Liabilities and Fund Balances/Net Assets</b>						
Liabilities:						
Accounts payable	\$ 668,991	\$ -	\$ -	\$ -	\$ -	\$ 668,991
Accrued liabilities	3,355	-	-	-	-	3,355
Wages payable	3,053	-	-	-	-	3,053
Deferred revenue	633,051	-	-	-	-	633,051
Deposits payable	75,478	-	-	-	-	75,478
Long-term debt	-	-	12,250,000	-	230,121	12,480,121
Accrued interest payable	-	-	-	139,459	-	139,459
<b>Total liabilities</b>	<b>1,383,928</b>	<b>-</b>	<b>12,250,000</b>	<b>139,459</b>	<b>230,121</b>	<b>14,003,508</b>
<b>Fund balances/net assets</b>	<b>19,565,165</b>	<b>124,244,564</b>	<b>(12,250,000)</b>	<b>(139,459)</b>	<b>(230,121)</b>	<b>131,190,149</b>
<b>Total liabilities and fund balances / net assets</b>	<b>\$ 20,949,093</b>	<b>\$ 124,244,564</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 145,193,657</b>

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

- (e) Explanation of differences between governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities.

The “net change in fund balances” for governmental funds \$(3,168,292) differs from the “change in net assets” for governmental activities \$(1,367,718) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds.

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year and loss on disposal of assets.

Capital outlay	\$ 3,831,109
Depreciation expense	<u>(2,269,208)</u>
Difference	<u>\$ 1,561,901</u>



**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

Long-term Liabilities Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets. Balances at June 30, 2009 were:

Retired Principal on long-term debt (COP)	\$ 280,000
Accrued Interest on long-term debt (COP)	<u>2,275</u>
Net Long-term Liabilities	<u>\$ 282,275</u>

Other Liabilities

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.

Compensated Absences	\$ (43,602)
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Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

(f) Explanation of differences between governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities.

	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Long-term Debt Transactions</b>	<b>Accrued Interest Payable</b>	<b>Compensated Absences</b>	<b>Reclassifications and Eliminations</b>	<b>Statement of Activities</b>
Revenues:							
Taxes	\$ 7,550,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,550,906
Fees and permits	1,736,087	-	-	-	-	-	1,736,087
Intergovernmental	6,770,179	-	-	-	-	-	6,770,179
Charges for services	607,036	-	-	-	-	-	607,036
Investment income	422,358	-	-	-	-	-	422,358
Fines, forfeits and penalt	274,251	-	-	-	-	-	274,251
Other	266,475	-	-	-	-	-	266,475
Total revenues	<u>17,627,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,627,292</u>
Expenditures:							
Current:							
General government	4,496,860	13,431	-	-	32,702	-	4,542,993
Building and planning	1,059,697	-	-	-	4,796	-	1,064,493
Public safety	8,019,896	19,708	-	-	872	-	8,040,476
Public works	2,545,637	2,236,069	-	-	5,232	-	4,786,938
Capital outlay	3,831,109	(3,831,109)	-	-	-	-	-
Debt service:							
Principal Retirement	280,000	-	(280,000)	-	-	-	-
Interest	562,385	-	-	(2,275)	-	-	560,110
Total expenses	<u>20,795,584</u>	<u>(1,561,901)</u>	<u>(280,000)</u>	<u>(2,275)</u>	<u>43,602</u>	<u>-</u>	<u>18,995,010</u>
Other financing sources (uses):							
Transfers in	2,592,624	-	-	-	-	(2,592,624)	-
Transfers out	(2,592,624)	-	-	-	-	2,592,624	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances/ net assets	(3,168,292)	1,561,901	280,000	2,275	(43,602)	-	(1,367,718)
Fund balances / net assets beginning of year	<u>22,733,457</u>	<u>122,682,663</u>	<u>(12,530,000)</u>	<u>(141,734)</u>	<u>(186,519)</u>	<u>-</u>	<u>132,557,867</u>
Fund balances / net assets, end of year	<u>\$ 19,565,165</u>	<u>\$ 124,244,564</u>	<u>\$ (12,250,000)</u>	<u>\$ (139,459)</u>	<u>\$ (230,121)</u>	<u>\$ -</u>	<u>\$ 131,190,149</u>

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

(g) Cash and Investments

Investments are reported in the accompanying Balance Sheet at fair value except for investment agreements, which are recorded at contract value because no secondary market exists for market value. 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.

(h) 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. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. 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, 2009 (CONTINUED)**

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

Capital assets used in operations and 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	25-65 years

The City of Rancho Santa Margarita met all the criteria required by GASB Statement No. 34 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 plans to test/assess the condition level every two years.

(i) Property Taxes

Property taxes attach as an enforceable lien on property as of March 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.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

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.

**NOTE 2 – CASH AND INVESTMENTS**

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

Statement of Net Assets:

Cash and investments	\$18,797,256
Cash and investments with fiscal agent	<u>853,178</u>
Total Cash and Investments	<u><u>\$19,650,434</u></u>

Cash and investments at June 30, 2009 consisted of the following:

Cash and Investments held by City:	
Deposits in banks	\$ 5,631,690
Local Agency Investment Fund (LAIF)	<u>13,165,566</u>
Total Cash and Investments held by City	<u><u>\$18,797,256</u></u>
Cash and Investments held by Fiscal Agent:	
Money Market Mutual Fund	\$ 13,178
Certificates of Deposit	<u>840,000</u>
Total Cash and Investments held by Fiscal Agent	<u><u>\$ 853,178</u></u>
Total Cash and Investments	<u><u>\$19,650,434</u></u>

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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 maximum maturity.

<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
Certificates of Deposit	360 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 investing only in the Local Agency Investment Fund (LAIF), which invests in a combination of shorter term and longer term investments 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:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				
	<u>Total Amount</u>	<u>0-12 Months</u>	<u>12-23 Months</u>	<u>24-35 Months</u>	<u>Greater than 36 Months</u>
Local Agency Investment Fund (LAIF)	\$ 13,165,566	\$ 13,165,566	\$ -	\$ -	\$ -
Held by bond fiscal agent:					
Money Market Mutual Fund	13,178	13,178	-	-	-
Certificates of Deposit	840,000	840,000	-	-	-
Total	<u>\$ 14,018,744</u>	<u>\$ 14,018,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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 of year end for each investment type.

Investment Type	Total Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Local Agency Investment Fund (LAIF)	\$ 13,165,566	N/A	\$ -	\$ -	\$ -	\$ 13,165,566
Held by bond fiscal agent:						
Money Market Mutual Fund	13,178	A	-	13,178	-	-
Certificates of Deposit	<u>840,000</u>	Aa	<u>-</u>	<u>840,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,018,744</u>		<u>\$ -</u>	<u>\$ 853,178</u>	<u>\$ -</u>	<u>\$ 13,165,566</u>

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code 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, 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

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

**NOTE 2 – CASH AND INVESTMENTS, (Continued)**

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%, for deposits in excess of the \$100,000 FDIC limit.

**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.

**NOTE 3 – TRANSFERS IN AND OUT**

Transfers in and out for the year ended June 30, 2009 are as follows:

<b>Transfers From:</b>				
	General Fund	Capital Projects Fund	Non-major Funds	Total
<b>Transfers To:</b>				
General Fund	\$ -	\$ 200,000	\$ 805,983	\$ 1,005,983
Capital Projects	-	-	786,551	786,551
Non-major Funds	800,090	-	-	800,090
<b>Total Transfers</b>	<b>\$ 800,090</b>	<b>\$ 200,000</b>	<b>\$ 1,592,534</b>	<b>\$ 2,592,624</b>

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

- The transfer of \$805,983 from the Non-major Funds to the General Fund was to fund street maintenance costs and traffic engineering services—both recorded in the General Fund.
- The transfer of \$786,551 from the Non-major Funds to the Capital Project Fund was primarily to fund the SMP Bridge joint replacement (\$344,829), Bus Stop improvements (\$119,866), Camino Altozano traffic signal (\$132,296).
- The transfer of \$200,000 from Capital Projects Fund to the General Fund was reimbursement for capital project expenses subsequently covered by grant funds.
- The transfer of \$800,090 from the General Fund to the Non-major Funds was transferred to the RSM Non-Profit Debt Service Fund to pay principal and interest on the Certificates of Participation.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,083,500	\$ 2,566,351	\$ -	\$ 4,649,851
Land - right of way	43,740,119	-	-	43,740,119
Infrastructure - pavement	46,513,281	24,031	-	46,537,312
Total capital assets not being depreciated	92,336,900	2,590,382	-	94,927,282
Capital assets being depreciated:				
Machinery & Equipment	371,197	7,166	-	378,363
Buildings	16,618,510	-	-	16,618,510
Parks	906,478	-	-	906,478
Infrastructure - all others	59,454,184	1,233,561	-	60,687,745
Total capital assets being depreciated	77,350,369	1,240,727	-	78,591,096
Less accumulated depreciation:				
Machinery & Equipment	295,649	33,139	-	328,788
Buildings	2,215,801	553,950	-	2,769,751
Parks	107,323	36,259	-	143,582
Infrastructure	44,385,833	1,645,860	-	46,031,693
Total accum. Depreciation:	47,004,606	2,269,208	-	49,273,814
Total capital assets being depreciated, net	30,345,763	(1,028,481)	-	29,317,282
Total capital assets, net	<u>\$ 122,682,663</u>	<u>\$ 1,561,901</u>	<u>\$ -</u>	<u>\$ 124,244,564</u>

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

Activities:	General government	\$ 13,431
	Public safety	19,708
	Public works	2,236,069
	Total	<u>\$ 2,269,208</u>

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS, (Continued)

Construction commitments

The City has active construction projects as of June 30, 2009. The projects include Melinda Road rehabilitation, Alicia Pkwy. rehabilitation, intersection improvement at Empresa, traffic signal synchronization, Go Local, traffic calming Robinson Ranch, emergency vehicle pre-emption, skate park lighting, storm drain at Antonio and Tijeras Creek. At year-end the City's encumbrances with contractors were as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Melinda Rd/Altisima	\$ 42,293	\$ 17,943
Alicia Pkwy Rehabilitation	27,956	551
Intersection Improve/Empresa	24,031	24,022
Traffic Signal Synchronization	5,342	2,700
Go Local	35,333	6,359
Traffic Calming Robinson Ranch	30,304	27,127
Emergency Vehicle Pre-emption	10,175	1,625
Skate Park Lighting	14,046	6,602
Storm Drain Antonio/Tijeras Ck	30,292	335
Total	<u>\$ 219,772</u>	<u>\$ 87,264</u>

NOTE 5 – MITIGATION OBLIGATION PAYABLE

The City has a mitigation commitment with the County of Orange to make minimum payments each year, plus interest, to mitigate the effect of the reduction of excess revenues over expenditures for future fiscal years as a result of the incorporation of the City of Rancho Santa Margarita. These payments equaled \$1,000,000 per year through 2006, with \$600,000 for the final payment in 2007, plus interest at the County's earnings rate on the difference between the minimum payment and the re-negotiated amount of \$2,400,000. The remaining annual payments associated with this commitment are contingent upon future receipt of revenues by the City during that respective fiscal year.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

**NOTE 6 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2009 was as follows:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2009</u>	<u>Due Within One Year</u>
Certificates of Participation:					
City Hall & Regional Community Center	\$ 12,530,000	\$ -	\$ 280,000	\$ 12,250,000	\$ 290,000
Compensated absences	<u>186,519</u>	<u>129,826</u>	<u>86,224</u>	<u>230,121</u>	<u>90,224</u>
Total Governmental Long-Term Liabilities	<u>\$ 12,716,519</u>	<u>\$ 129,826</u>	<u>\$ 366,224</u>	<u>\$ 12,480,121</u>	<u>\$ 380,224</u>

In prior years, compensated absences liabilities were liquidated in the City's General Fund. Compensated absences additions and reductions were estimated based on current accumulation and usage. Amounts due within one year approximate current net charges.

City of Rancho Santa Margarita Nonprofit Corporation Certificates of Participation Payable

On November 1, 2003, the City of Rancho Santa Margarita Nonprofit Corporation issued \$12,795,000 of Certificates of Participation. These Certificates of Participation were issued to finance a portion of the costs of the acquisition, construction and installation of a City Hall and a Regional Community Center, which will be leased to the City. Term certificates are due as follows: \$1,730,000 on October 1, 2027, with an interest rate of 4.75%; \$1,995,000 on October 1, 2030, with an interest rate of 4.75%; and \$2,300,000 on October 1, 2033, with an interest rate of 5.00%. Serial certificates are due in annual installments ranging from \$265,000 to \$805,000 commencing on October 1, 2007. The serial certificates bear interest ranging from 3.25% to 4.75%, payable semi-annually on April 1 and October 1 of each year. Interest component payments were capitalized through April 1, 2005. The amount outstanding as of June 30, 2009 was \$12,250,000.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 6 – LONG-TERM LIABILITIES, (Continued)

The annual requirements to amortize the outstanding Certificates of Participation as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 290,000	\$ 552,760
2011	295,000	542,522
2012	305,000	531,260
2013	315,000	518,860
2014	330,000	505,960
2015-2019	1,860,000	2,314,293
2020-2024	2,305,000	1,861,320
2025-2029	2,890,000	1,254,251
2030-2034	<u>3,660,000</u>	<u>471,562</u>
Totals	<u>\$ 12,250,000</u>	<u>\$ 8,552,788</u>

NOTE 7 – PENSION PLAN

Orange County Employees Retirement System Defined Benefit Pension Plan

Plan Description In September 2002, the City Council approved the City's participation in the Orange County Employees Retirement System (OCERS), effective January 1, 2003. The Orange County Employees Retirement System (OCERS), is a cost-sharing multiple-employer, defined benefit pension plan which is governed and administered by a nine member Board of Retirement. OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937 and provides members with retirement benefits. Benefit provisions and all other requirements are established by State statute and City ordinance. OCERS issues a stand-alone comprehensive annual financial report which can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

On August 16, 2006, eligible employees conducted an election at which they voted to withdraw from OCERS and participate in the CalPERS Defined Benefit Pension Plan for Miscellaneous Employees. Information on that plan is included below.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

**NOTE 7 – PENSION PLAN, (Continued)**

Prior to withdrawal and termination of participation in the plan by the City, all full time employees were eligible to participate in OCERS with benefits vesting after 10 years of service. The amount of the retirement allowance is based upon the member's age at retirement, the member's "final compensation" as defined in Section 31462 of the Retirement Law of 1937, and the total years of service under OCERS.

Funding Policy Members were required to contribute a percentage of their annual compensation to OCERS ranging from 7.90% to 13.31 percent (employee contribution). The City made the contributions required of City employees on their behalf and for their account. The City was also required to contribute additional amounts at an actuarially determined rate, that rate was 12.83 percent for the final year of participation. The contribution requirements of plan members and the City were established and amended by OCERS. The actuarial methods and assumptions used were those adopted by the OCERS Board of Administration.

Contributions For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by OCERS' actuaries. Under GASB 27, as amended by GASB 50, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year.

The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2005. The City's covered payroll for OCERS for the year ended June 30, 2009 was \$0, due to the fact the City's participation in the plan had been terminated, while the City's total payroll for all employees was \$2,145,431 during the same period. For all years of participation in this plan the actual contribution made equaled the required contribution.

Three Year Trend Information The following table provides the employer contribution rate, the required contribution amount, and the actual percentage contributed for fiscal year ended June 30, 2009 and the prior two years.

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/2007	12.83%	\$ 61,830	100%	\$ -
6/30/2008	-	-	-	-
6/30/2009	-	-	-	-



**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 7 – PENSION PLAN, (Continued)

CalPERS Defined Benefit Pension Plan for Miscellaneous Employees

Plan Description The City's employees are eligible to participate in the California Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan. Initial participation was determined August 2006, at which time eligible employees conducted an election voting to withdraw from the Orange County Employees Retirement System (OCERS) and participate in the CalPERS Defined Benefit Pension Plan for Miscellaneous Employees. Information on the OCERS plan is included above. New employees are required to join CalPERS.

PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 "P" Street, Sacramento, California 95814.

Funding Policy Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is also required to contribute additional amounts at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

Contributions For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, as amended by GASB 50, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2007. The City's covered payroll for PERS was \$1,740,848 for the year ended June 30, 2009, while the City's total payroll for all employees was \$2,145,431 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees who were actually paid during the period from July 1, 2008 to June 30, 2009. For all years of participation in this plan the actual contribution made equaled the required contribution.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 7 – PENSION PLAN, (Continued)

Three Year Trend Information The following table provides the employer contribution rate, the required contribution amount, and the actual percentage contributed for fiscal year ended June 30, 2009 and the prior two years.

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/2007	12.26%	\$ 106,807	100%	\$ -
6/30/2008	12.26%	\$ 199,594	100%	-
6/30/2009	12.26%	\$ 213,413	100%	-

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 Liability

The City purchases general liability insurance from Public Agency Risk Sharing Authority of California (PARSAC). There is a self-insured retention of \$10,000 per claim. PARSAC provides limits to \$1,000,000. Excess coverage is provided through a combination of pooling and reinsurance for total coverage limits of \$25 million. The total premium for this coverage was \$100,605 for the fiscal year ending June 30, 2009.

Workers' Compensation

Effective March 1, 2004, the City purchases Workers' Compensation insurance from PARSAC. There is no deductible and the policy provides statutory limits. The premium for this coverage was \$78,189 for the fiscal year ending June 30, 2009.

Property Insurance

The City purchases commercial property insurance from PARSAC with program limits of \$350 million for personal property with \$5,000 deductible per occurrence.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

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

Fidelity Bonds

The City purchases bond coverage through PARSAC in the amount of \$1,000,000 with a \$2,500 deductible.

Insurance payments to PARSAC are made from the City's general fund. There were no significant claims or claims payments during the fiscal year, and there were no significant outstanding claims at June 30, 2009. Furthermore, there have been no settlements that have exceeded insurance coverage since the City's inception on January 1, 2000.

**NOTE 9 – CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City of Rancho Santa Margarita is defendant and plaintiff in several 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 claims against the City not covered by insurance resulting from such litigation will not materially affect the City's financial condition.

**NOTE 10 – DEFERRED REVENUE**

For the governmental funds, revenues are recognized when the related expenditures are incurred. Such revenues typically include grants or entitlements. Revenues earned, but not yet received, may not be available in a timely manner to pay current expenditures or obligations. Such receivables, not meeting the availability criteria necessary for accrual under modified accrual basis accounting principles, are reclassified as deferred revenues for that period in the fund financial statements. In the government-wide financial statements, however, availability criteria are not considered. Instead, revenues become, and remain receivable from the point in time when revenue is earned through performance or similar recognition standards, until received. For the Fiscal Year ended June 30, 2009, In the General Fund, \$633,051 was deferred, consisting of \$42,659 in miscellaneous revenue received in advance of planned Community Services events; and \$590,392 related to the renewal of the City's cable TV franchise agreement. In the fifteen year agreement, signed in 2005, the cable service provider paid the City a lump sum

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

**NOTE 10 – DEFERRED REVENUE, (Continued)**

amount of \$805,080 to fund possible educational and governmental cable-based programming. The total amount was deferred upon receipt of the lump sum payment in 2005, and is being amortized into earned revenue at the rate of \$53,672 per year. The total amount amortized, at June 30, 2009 was \$214,688.

**NOTE 11 – FUND BALANCE DESIGNATIONS**

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

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 11 – FUND BALANCE DESIGNATIONS, (Continued)

The City's fund balance designations at June 30, 2009, are presented below and followed by explanations as to the nature and purpose of each designation.

General Fund:	Emergency	\$ 7,177,298
	Council Strategic	1,432,877
	Technology	1,337,996
	Facilities	2,649,201
	Vehicles	288,608
	Infrastructure	<u>1,069,134</u>
	Total Designated	<u>\$13,955,114</u>

Designated for Emergency – 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.

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

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

Designated 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.

Designated 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.

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

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

**NOTE 12 – OPERATING LEASE**

The City entered into a non-cancelable operating lease agreement with Wells Fargo Financial Leasing, Inc. in January 2008 for copy equipment at City Hall at a cost of \$139,920. The monthly cost of the 5 year lease agreement is \$2,332 and is funded by the General Fund. Future minimum payments relating to the lease are as follows:

<u>Year Ending June 30,</u>	<u>Annual Rent</u>
2010	\$ 27,984
2011	27,984
2012	27,984
2013	13,992
	<u>\$ 97,944</u>

The City entered into another non-cancelable operating lease agreement with Wells Fargo Financial Leasing, Inc. in October 2008 for BTRCC copy equipment at a cost of \$14,204. The monthly cost of \$268 is for a 53 month term and is funded by the General Fund. Future minimum payments relating to the lease are as follow:

<u>Year Ending June 30,</u>	<u>Annual Rent</u>
2010	\$ 3,216
2011	3,216
2012	3,216
2013	2,144
	<u>\$ 11,792</u>

**NOTE 13 – CERTIFICATES OF PARTICIPATION**

The City's Certificates of Participation, issued November 1, 2003 are subject to federal arbitrage regulations. In October 2008 an interim arbitrage rebate analysis was performed to determine whether the City was required to remit an arbitrage rebate payment to the United States Department of the Treasury for excess arbitrage liabilities for the previous five year period. The computational analysis showed no payment was due or required by the City, nor was the City required to file form 8038-T with the Internal Revenue Service. The next rebate installment payment computational analysis will be due not later than November 30, 2013.

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

**NOTE 14 – SUBSEQUENT EVENTS**

Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concurs. The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor on July 28, 2009, as ABX4 14 and ABX4 15 as part of the Fiscal Year 2009-10 California state budget package. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts by way of a reduction in the percentage of the total amount of ad valorem property tax revenues allocated to local agencies during the State's 2009-10 fiscal year. The State will be required to repay those obligations plus interest by June 30, 2013. During the term of the borrowing a Proposition 1A Loan Receivable would be recorded in the City's financial statements.

Authorized under ABX4 14 and ABX4 15, the Proposition 1A Securitization Program was instituted by California Communities, a Joint Powers Authority sponsored by the California State Association of Counties and the League of California Cities, to enable Local Agencies to sell their respective Proposition 1A Receivables to California Communities. The City of Rancho Santa Margarita is a member of California Communities, but would not need to be to participate in the program. Under the Securitization Program, California Communities would simultaneously purchase the Proposition 1A Receivables, issue bonds ("Prop 1A Bonds") and provide each local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010 (to coincide with the dates that the State will be shifting property tax from local agencies). The purchase price paid to the local agencies would equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest would be paid by the State of California. Participating local agencies would have no obligation on the bonds and no credit exposure to the State.

When a City participates in the Program, it sells its Proposition 1A Receivable under the Proposition 1A Securitization Program to California Communities. California Communities then pledges the City's Proposition 1A Receivable to secure the repayment of a corresponding amount of the Prop 1A Bonds. Ultimately, the State would repay the bondholders principal plus interest. The City's sale of its Proposition 1A Receivable is irrevocable. Bondholders have no recourse to the City if the State does not make the Proposition 1A Repayment. On October 14, 2009, The Rancho Santa Margarita City Council adopted a resolution and then executed agreements that enrolled the City as a participant in the Securitization Program, to secure payment of its Proposition 1A Receivable amount of \$598,935 in Fiscal Year 2009-10. Fifty percent of the Proposition 1A Receivable Amount will be distributed to the City on January 15, 2010 and fifty percent will be distributed on May 3, 2010 by the Trustee, Wells Fargo Bank. The Bonds

**CITY OF RANCHO SANTA MARGARITA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (CONTINUED)**

NOTE 14 – SUBSEQUENT EVENTS, (Continued)

were successfully sold to investors on November 10, 2009 at a yield of 4.00%, and the Proposition 1A Securitization transaction closed escrow on November 19, 2009. Approximately 1,270 Local Agencies participated in the Program.

Another provision of the California state budget package mandates deferral of the City's Highway Users Tax Account (HUTA) "gas tax" payments collected and remitted by the state, to the City during Fiscal Year 2009-10. Payments were deferred in July and August 2009 but were repaid to the City in September 2009 in the amount of \$148,780. The City received its September and October 2009 revenues totaling \$131,165 as scheduled. A five-month HUTA deferral window period remains for the months of November and December 2009, and January, February and March 2010. Repayment of these deferred revenues is required by the state within two business days of April 28, 2010.



# REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY  
INFORMATION



**City of Rancho Santa Margarita, California**

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

General Fund – This 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.

**CITY OF RANCHO SANTA MARGARITA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 16,941,951	\$ 16,941,951	\$ 17,061,371	\$ 119,420
Resources (inflows):				
Taxes	9,133,240	9,133,240	7,550,906	(1,582,334)
Fees and permits	1,644,421	1,644,421	1,736,087	91,666
Intergovernmental	4,447,085	4,447,085	4,187,783	(259,302)
Charges for service	581,000	581,000	607,036	26,036
Investment income	595,000	595,000	291,574	(303,426)
Fines, forfeits and penalties	263,500	263,500	274,251	10,751
Other	66,000	66,000	266,475	200,475
Transfers from other funds	956,700	956,700	1,005,983	49,283
Amounts available for appropriation	34,628,897	34,628,897	32,981,466	(1,647,431)
Charges to appropriations (outflows):				
General government	5,289,889	5,289,889	4,496,860	793,029
Building and planning	1,019,466	1,019,466	1,059,697	(40,231)
Public safety	8,026,016	8,026,016	7,900,118	125,898
Public works	2,299,380	2,299,380	2,158,260	141,120
Capital outlay	89,347	89,347	2,573,517	(2,484,170)
Transfers to other funds	857,000	857,000	800,090	56,910
Total charges to appropriations	17,581,098	17,581,098	18,988,542	(1,407,444)
Budgetary fund balances, June 30	\$ 17,047,799	\$ 17,047,799	\$ 13,992,924	\$ (3,054,875)

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

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

The condition of the pavement subsystem is measured using the Rancho Santa Margarita Pavement Condition Index. In order to establish and maintain eligibility for Measure M transportation funding provided by Orange County, California, the City must adopt and fund a local Pavement Management Plan (PMP). The local PMP is required to be updated every 2 years to maintain Measure M eligibility. The City Council accepted the findings of the PMP update performed in Fiscal Year 2008 and adopted a condition rating of 70 as the minimum acceptable Pavement Condition Index (PCI) for the entire street pavement subsystem. 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, 2009(continued)**

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

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

	<u>Actual Assessed Condition Level</u>	<u>Minimum Condition Level</u>
<b>2008:</b> Pavement subsystem	76.5	70
<b>2007:</b> Pavement subsystem	73.9	70
<b>2004:</b> Pavement subsystem	75.1	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.

- Excellent (85-100) – Minor to low distress, no significant distress.
- Very Good (70-84) – Little distress, with the exception of utility patches in good condition, or slight hairline cracks; may be slightly weathered.
- Good (55-69) – Slight to moderately weathered, slight distress, possible patching.
- Fair (40-54) – Severely weathered or slight to moderate levels of distress, generally limited to patches and non-load related cracking.
- Poor (25-39) – Moderate to severe distresses, including load-related types, such as alligator cracking.
- Very Poor (10-24) – Severely distressed, large quantities of distortion or alligator cracking.
- Failed (0-9) – Failure of the pavement, distress has surpassed tolerable rehabilitation limits.

Based on the pavement condition assessment update performed in FY 2008, as of June 30, 2008, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 76.5, or Very Good.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (continued)**

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

During the fiscal year ending June 30, 2009, street maintenance costs were \$1,042,169 compared to the budgeted estimate of \$1,808,700. Street maintenance costs for the fiscal years ending June 30, 2008, June 30, 2007, June 30, 2006, June 30, 2005, June 30, 2004 and June 30, 2003 (the first year of implementation of the modified approach for street pavement) were \$2,132,675, \$3,812,219, \$1,818,402, \$919,528, \$783,609 and \$908,403, respectively. Budgeted street maintenance costs for the years ended June 30, 2008, June 30, 2007, June 30, 2006, June 30, 2005, June 30, 2004 and June 30, 2003 were \$3,277,392, \$5,091,446, \$2,246,154, \$1,160,000, \$943,000 and \$1,200,000. Appropriations totaling \$3,056,000 have been budgeted for the fiscal year ending June 30, 2010 for maintenance/rehabilitation to achieve the minimum PCI standard.

**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.

**CITY OF RANCHO SANTA MARGARITA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009(continued)**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING, (Continued)**

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

Certain City financial statements and schedules present comparisons of budgeted amounts to actual results for all governmental funds with 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, City Council, City Manager, and Administrative Services departments are combined as General Government, but operate separately for budgetary control purposes in the General Fund. All other budgeted funds are considered single operating units for budgetary control and financial reporting purposes.

# SUPPLEMENTARY SCHEDULES



SUPPLEMENTARY SCHEDULES

**City of Rancho Santa Margarita, California**



## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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 and 2107.5 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”. 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.

California Law Enforcement Equipment Program – This fund is used to account for monies received through the CLEEP grant. These monies are used by police services for the purchase of high-technology police equipment.

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

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.

### **Debt Service Fund**

Debt Service Funds are 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-Profit Debt Service – This fund is used to account for the payment of interest and principal of the City of Rancho Santa Margarita Non-Profit Corporation project financing activities for construction of the City’s civic center facilities.

**CITY OF RANCHO SANTA MARGARITA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009**

	<u>Special Revenue Funds</u>		
	<u>Gas Tax</u>	<u>Measure M</u>	<u>Air Quality Management District</u>
<b>Assets</b>			
Cash and investments	\$ 488,696	\$ 1,239,469	\$ 223,009
Cash with fiscal agent	-	-	-
Due from other governments	65,902	73,989	-
Interest receivable	3,783	5,141	984
Total assets	<u>\$ 558,381</u>	<u>\$ 1,318,599</u>	<u>\$ 223,993</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 22,773	\$ -	\$ -
Total liabilities	<u>22,773</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	<u>535,608</u>	<u>1,318,599</u>	<u>223,993</u>
Total fund balances	<u>535,608</u>	<u>1,318,599</u>	<u>223,993</u>
Total liabilities and fund balances	<u>\$ 558,381</u>	<u>\$ 1,318,599</u>	<u>\$ 223,993</u>

	Special Revenue Funds		Debt Service Fund		
California Law Enforcement Eqpt. Program	Traffic Congestion	Supplemental Law Enforcement Services	Rancho Santa Margarita Non-Profit		Totals
\$ 197	\$ 322,605	\$ 122,675	\$ -		\$ 2,396,651
-	-	-	853,178		853,178
-	100,163	15,760	-		255,814
-	795	410	-		11,113
<u>\$ 197</u>	<u>\$ 423,563</u>	<u>\$ 138,845</u>	<u>\$ 853,178</u>		<u>\$ 3,516,756</u>

\$ -	\$ -	\$ 984	\$ -	\$ 23,757
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>984</u>	<u>-</u>	<u>23,757</u>

-	-	-	853,178	853,178
<u>197</u>	<u>423,563</u>	<u>137,861</u>	<u>-</u>	<u>2,639,821</u>

<u>197</u>	<u>423,563</u>	<u>137,861</u>	<u>853,178</u>	<u>3,492,999</u>
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<u>\$ 197</u>	<u>\$ 423,563</u>	<u>\$ 138,845</u>	<u>\$ 853,178</u>	<u>\$ 3,516,756</u>
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**CITY OF RANCHO SANTA MARGARITA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
JUNE 30, 2009**

	<u>Special Revenue Funds</u>		
	<u>Gas Tax</u>	<u>Measure M</u>	<u>Air Quality Management District</u>
Revenues:			
Intergovernmental	\$ 798,173	\$ 501,475	\$ 42,519
Investment income	26,784	29,095	6,146
Total revenues	<u>824,957</u>	<u>530,570</u>	<u>48,665</u>
Expenditures:			
Current:			
Public safety	-	-	-
Public works	262,477	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Total expenditures	<u>262,477</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>562,480</u>	<u>530,570</u>	<u>48,665</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(931,772)	(540,896)	(119,866)
Total financing sources (uses)	<u>(931,772)</u>	<u>(540,896)</u>	<u>(119,866)</u>
Net change in fund balances	(369,292)	(10,326)	(71,201)
Fund balances, beginning of year	<u>904,900</u>	<u>1,328,925</u>	<u>295,194</u>
Fund balances, end of year	<u>\$ 535,608</u>	<u>\$ 1,318,599</u>	<u>\$ 223,993</u>

<u>Special Revenue Funds</u>			<u>Debt Service</u>	
<u>California Law</u>		<u>Supplemental</u>	<u>Rancho Santa</u>	
<u>Enforcement</u>	<u>Traffic</u>	<u>Law Enforce-</u>	<u>Margarita</u>	
<u>Eqpt. Program</u>	<u>Congestion</u>	<u>ment Services</u>	<u>Non-Profit</u>	<u>Totals</u>
\$ -	\$ 420,943	\$ 75,843	\$ -	\$ 1,838,953
-	1,569	3,464	27,046	94,104
-	422,512	79,307	27,046	1,933,057
-	-	119,778	-	119,778
-	-	-	-	262,477
-	-	-	280,000	280,000
-	-	-	562,385	562,385
-	-	119,778	842,385	1,224,640
-	422,512	(40,471)	(815,339)	708,417
-	-	-	800,090	800,090
-	-	-	-	(1,592,534)
-	-	-	800,090	(792,444)
-	422,512	(40,471)	(15,249)	(84,027)
197	1,051	178,332	868,427	3,577,026
\$ 197	\$ 423,563	\$ 137,861	\$ 853,178	\$ 3,492,999

## **BUDGETARY COMPARISON SCHEDULES**

The following Budgetary Comparison Schedules are presented:

### **Special Revenue Funds**

Gas Tax

Measure M

Air Quality Management District

California Law Enforcement Equipment Program

Traffic congestion

Supplemental Law Enforcement Services

### **Debt Service Fund**

Non-Profit Debt Service

### **Capital Projects Fund**

Capital Projects

**CITY OF RANCHO SANTA MARGARITA  
GAS TAX  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 1,033,103	\$ 1,033,103	\$ 904,900	\$ (128,203)
Resources (inflows):				
Intergovernmental	850,338	850,338	798,173	(52,165)
Investment income	30,000	30,000	26,784	(3,216)
Amounts available for appropriation	<u>1,913,441</u>	<u>1,913,441</u>	<u>1,729,857</u>	<u>(183,584)</u>
Charges to appropriations (outflows):				
Public works	256,250	256,250	262,477	(6,227)
Transfers to other funds	<u>1,450,364</u>	<u>1,450,364</u>	<u>931,772</u>	<u>518,592</u>
Total charges to appropriations	<u>1,706,614</u>	<u>1,706,614</u>	<u>1,194,249</u>	<u>512,365</u>
Budgetary fund balances, June 30	<u><u>\$ 206,827</u></u>	<u><u>\$ 206,827</u></u>	<u><u>\$ 535,608</u></u>	<u><u>\$ 328,781</u></u>

**CITY OF RANCHO SANTA MARGARITA  
MEASURE M  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 716,706	\$ 716,706	\$ 1,328,925	\$ 612,219
Resources (inflows):				
Intergovernmental	551,554	551,554	501,475	(50,079)
Investment income	10,000	10,000	29,095	19,095
Amounts available for appropriation	<u>1,278,260</u>	<u>1,278,260</u>	<u>1,859,495</u>	<u>581,235</u>
Charges to appropriations (outflows):				
Transfers to other funds	<u>836,779</u>	<u>836,779</u>	<u>540,896</u>	<u>295,883</u>
Total charges to appropriations	<u>836,779</u>	<u>836,779</u>	<u>540,896</u>	<u>295,883</u>
Budgetary fund balances, June 30	<u><u>\$ 441,481</u></u>	<u><u>\$ 441,481</u></u>	<u><u>\$ 1,318,599</u></u>	<u><u>\$ 877,118</u></u>



**CITY OF RANCHO SANTA MARGARITA  
AIR QUALITY MANAGEMENT DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 171,637	\$ 171,637	\$ 295,194	\$ 123,557
Resources (inflows):				
Intergovernmental	62,013	62,013	42,519	(19,494)
Investment income	1,000	1,000	6,146	5,146
Amounts available for appropriation	<u>234,650</u>	<u>234,650</u>	<u>343,859</u>	<u>109,208</u>
Charges to appropriations (outflows):				
Transfers to other funds	<u>30,358</u>	<u>30,358</u>	<u>119,866</u>	<u>(89,508)</u>
Total charges to appropriations	<u>30,358</u>	<u>30,358</u>	<u>119,866</u>	<u>(89,508)</u>
Budgetary fund balances, June 30	<u>\$ 204,292</u>	<u>\$ 204,292</u>	<u>\$ 223,993</u>	<u>\$ 19,700</u>

**CITY OF RANCHO SANTA MARGARITA  
CALIFORNIA LAW ENFORCEMENT EQUIPMENT PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 197	\$ 197	\$ 197	\$ -
Resources (inflows):				
Intergovernmental	-	-	-	-
Investment income	-	-	-	-
Amounts available for appropriation	197	197	197	-
Charges to appropriations (outflows):				
Public safety - capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
Budgetary fund balances, June 30	197	197	197	-

**CITY OF RANCHO SANTA MARGARITA  
TRAFFIC CONGESTION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 1,345	\$ 1,345	\$ 1,051	\$ (294)
Resources (inflows):				
Intergovernmental	163,840	163,840	420,943	257,103
Investment income	3,000	3,000	1,569	(1,431)
Amounts available for appropriation	168,185	168,185	423,563	255,378
Charges to appropriations (outflows):				
Transfers to other funds	166,840	166,840	-	166,840
Total charges to appropriations	166,840	166,840	-	166,840
Budgetary fund balances, June 30	\$ 1,345	\$ 1,345	\$ 423,563	\$ 422,218

**CITY OF RANCHO SANTA MARGARITA  
SUPPLEMENTARY LAW ENFORCEMENT SERVICES  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 170,057	\$ 170,057	\$ 178,332	\$ 8,275
Resources (inflows):				
Intergovernmental	99,000	99,000	75,843	(23,157)
Investment income	1,000	1,000	3,464	2,464
Amounts available for appropriation	<u>270,057</u>	<u>270,057</u>	<u>257,639</u>	<u>(12,418)</u>
Charges to appropriations (outflows):				
Public safety - current	86,276	86,276	119,778	(33,502)
Public safety - capital outlay	40,000	40,000	-	40,000
Total charges to appropriations	<u>126,276</u>	<u>126,276</u>	<u>119,778</u>	<u>6,498</u>
Budgetary fund balances, June 30	<u>\$ 143,781</u>	<u>\$ 143,781</u>	<u>\$ 137,861</u>	<u>\$ (5,920)</u>

**CITY OF RANCHO SANTA MARGARITA  
NON-PROFIT DEBT SERVICE  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 868,883	\$ 868,883	\$ 868,427	\$ (456)
Resources (inflows):				
Investment income	-	-	27,046	27,046
Transfers from other funds	857,000	857,000	800,090	(56,910)
Amounts available for appropriation	1,725,883	1,725,883	1,695,563	(30,320)
Charges to appropriations (outflows):				
Principal Retirement	265,000	265,000	280,000	(15,000)
Interest	592,000	592,000	562,385	29,615
Total charges to appropriations	857,000	857,000	842,385	14,615
Budgetary fund balances, June 30	\$ 868,883	\$ 868,883	\$ 853,178	\$ (15,705)

**CITY OF RANCHO SANTA MARGARITA  
CAPITAL PROJECTS  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
Budgetary fund balances, July 1	\$ 2,129,604	\$ 2,129,604	\$ 2,095,060	\$ (34,544)
Resources (inflows):				
Intergovernmental	1,261,882	1,261,882	743,443	(518,439)
Investment income	-	-	36,680	36,680
Transfers from other funds	1,527,641	1,527,641	786,551	(741,090)
Amounts available for appropriation	<u>4,919,127</u>	<u>4,919,127</u>	<u>3,661,734</u>	<u>(1,257,393)</u>
Charges to appropriations (outflows):				
Public works	3,484,600	3,484,600	124,900	3,359,700
Capital Outlay	-	-	1,257,592	(1,257,592)
Transfers to other funds	-	-	200,000	(200,000)
Total charges to appropriations	<u>3,484,600</u>	<u>3,484,600</u>	<u>1,582,492</u>	<u>1,902,108</u>
Budgetary fund balances, June 30	<u>\$ 1,434,527</u>	<u>\$ 1,434,527</u>	<u>\$ 2,079,242</u>	<u>\$ 644,715</u>

# STATISTICAL SECTION



**City of 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 Assets by Component
- Changes in Net Assets
- 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. The city implemented Government Accounting Standard Board Statement No. 34 in 2001; schedules presenting government-wide information include information beginning in that year.



**City of Rancho Santa Margarita**  
**Net Assets by Component**  
**Last Nine Fiscal Years**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Invested in Capital Assets, Net of Related Debt	\$ 111,994,564	\$ 110,152,663	\$ 112,633,691	\$ 114,598,789
Restricted for:				
Public Safety	138,057	178,529	210,445	224,639
Public Works	4,581,004	4,625,130	3,218,553	5,044,761
Debt Service	853,179	868,427	868,883	868,498
Unrestricted	13,623,344	16,733,118	16,165,385	11,209,879
Total Governmental Activities Net Assets	<u>\$ 131,190,148</u>	<u>\$ 132,557,867</u>	<u>\$ 133,096,957</u>	<u>\$ 131,946,566</u>

**PRIMARY GOVERNMENT**

Invested in Capital Assets, Net of Related Debt	\$ 111,994,564	\$ 110,152,663	\$ 112,633,691	\$ 114,598,789
Restricted for				
Public Safety	138,057	178,529	210,445	224,639
Public Works	4,581,004	4,625,130	3,218,553	5,044,761
Debt Service	853,179	868,427	868,883	868,498
Unrestricted	13,623,344	16,733,118	16,165,385	11,209,879
Total Primary Government Net Assets	<u>\$ 131,190,148</u>	<u>\$ 132,557,867</u>	<u>\$ 133,096,957</u>	<u>\$ 131,946,566</u>

Note: The City implemented Governmental Accounting Standards Board Statement No. 34 (GASB 34) for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is unavailable.

The City incorporated January 1, 2000. The City's first full fiscal year financial statement were for the period ended June 30, 2001.

Source: City Finance Division

<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
\$ 116,793,296	\$ 115,726,409	\$ 113,405,225	\$ 114,834,758	\$ 2,401,463
198,267	181,637	208,194	279,371	196,613
4,089,607	7,172,790	3,462,045	4,049,739	2,761,511
870,578	1,423,415	*	*	*
7,611,925	4,295,039	10,968,241	11,044,127	5,123,112
<u>\$ 129,563,673</u>	<u>\$ 128,799,290</u>	<u>\$ 128,043,705</u>	<u>\$ 130,207,995</u>	<u>\$ 10,482,699</u>

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<u>\$ 129,563,673</u>	<u>\$ 128,799,290</u>	<u>\$ 128,043,705</u>	<u>\$ 130,207,995</u>	<u>\$ 10,482,699</u>

**City of Rancho Santa Margarita**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>EXPENSES</b>			
<b>Governmental Activities:</b>			
General Government	\$ 4,542,993	\$ 4,794,245	\$ 4,235,381
Building & Planning	1,064,493	1,148,291	1,089,509
Public Safety	8,040,476	7,642,333	6,440,965
Public Works	4,786,938	6,080,878	7,342,870
Mitigation Obligation	-	-	-
Interest Expense	560,110	569,088	707,434
Total Governmental Activities Expenses	<u>18,995,010</u>	<u>20,234,835</u>	<u>19,816,159</u>
<b>PROGRAM REVENUES</b>			
<b>Governmental Activities:</b>			
Charges for Services:			
General Government	345,078	31,773	19,839
Building and Planning	482,309	539,869	540,904
Public Safety	274,251	320,097	338,571
Public Works	61,750	177,512	94,822
Interest Expense	-	-	-
Operating Contributions and Grants	2,758,111	3,055,388	3,582,070
Capital Contributions and Grants	-	-	-
Total Governmental Activities Program Revenues	<u>3,921,499</u>	<u>4,124,639</u>	<u>4,576,206</u>
<b>Total Net Revenues (Expenses)</b>	<u><u>\$ (15,073,511)</u></u>	<u><u>\$ (16,110,196)</u></u>	<u><u>\$ (15,239,953)</u></u>
<b>GENERAL REVENUES AND OTHER</b>			
<b>CHANGES IN NET ASSETS</b>			
<b>Governmental Activities:</b>			
Taxes:			
Property Taxes	\$ 2,199,059	\$ 2,261,933	\$ 2,015,510
Sales Taxes	5,145,381	6,400,424	6,325,108
Real Property Transfer Taxes	206,466	192,964	294,601
Motor Vehicle License Fees	-	-	-
Motor Vehicle in-lieu tax, unrestricted			
intergovernmental	4,012,068	4,126,226	4,943,750
Franchise tax	1,453,986	1,413,134	1,407,872
Investment Income	422,358	904,939	1,054,180
Other	266,475	271,486	349,323
Total Governmental Activities	<u>13,705,793</u>	<u>15,571,106</u>	<u>16,390,344</u>
<b>Changes in Net Assets</b>	<u><u>\$ (1,367,718)</u></u>	<u><u>\$ (539,090)</u></u>	<u><u>\$ 1,150,391</u></u>

Note: The City implemented Governmental Accounting Standards Board Statement No. 34 (GASB 34) for the fiscal year ended June 30, 2001.

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: City Finance Division, Comprehensive Annual Financial Report (2001-2007)

2006	2005	2004	2003	2002	2001
\$ 4,505,272	\$ 5,016,167	\$ 4,674,016	\$ 4,962,868	\$ 2,913,397	\$ 2,953,958
972,352	1,139,485	1,005,053	970,918	1,379,831	1,273,368
6,033,988	5,746,796	5,437,001	4,822,527	1,359,116	1,271,524
5,401,937	4,694,739	4,332,835	6,365,863	6,972,602	1,086,544
-	-	-	-	1,000,000	-
577,548	597,540	688,289	107,250	130,000	-
17,491,097	17,194,727	16,137,194	17,229,426	13,754,946	6,585,394

26,188	40,136	67,114	38,275	6,621	-
508,793	864,537	670,081	638,749	1,258,227	776,687
363,045	278,978	296,973	260,897	270,471	263,087
38,709	117,702	93,083	80,040	1,518,741	488,600
-	-	-	-	-	-
3,014,400	1,039,721	1,888,519	2,299,941	4,313,634	2,542,162
-	1,512,370	1,374,956	23,034	44,901	100,000
3,951,135	3,853,444	4,390,726	3,340,936	7,412,595	4,170,536
\$ (13,539,962)	\$ (13,341,283)	\$ (11,746,468)	\$ (13,888,490)	\$ (6,342,351)	\$ (2,414,858)

\$ 1,449,752	\$ 1,528,596	\$ 1,563,215	\$ 1,459,741	\$ 1,454,780	\$ 1,262,640
6,365,432	5,935,350	5,621,674	4,886,699	4,347,798	4,048,066
476,045	476,358	493,220	410,416	341,787	295,643
-	-	-	3,696,539	3,546,891	3,392,542
5,275,527	4,290,512	3,498,199	-	-	-
1,245,702	1,012,122	1,027,076	911,547	907,568	765,545
631,305	364,559	214,800	341,895	443,217	289,510
479,089	501,701	104,656	17,363	9,338	26,425
15,922,852	14,109,198	12,522,840	11,724,200	11,051,379	10,080,371
\$ 2,382,890	\$ 767,915	\$ 776,372	\$ (2,164,290)	\$ 4,709,028	\$ 7,665,513

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>GENERAL FUND</b>				
Reserved	\$ 37,810	\$ 157,204	\$ 46,426	\$ -
Unreserved	13,955,115	16,904,167	16,042,455	12,778,446
Total General Fund	<u>\$ 13,992,925</u>	<u>\$ 17,061,371</u>	<u>\$ 16,088,881</u>	<u>\$ 12,778,446</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Reserved for encumbrances	\$ 87,264	\$ 227,552	\$ -	\$ -
Reserved for debt service	853,179	868,427	868,883	868,498
Reserved for self insurance	-	-	-	-
Unreserved, Reported in:	-	-	-	-
Special Revenue Funds	2,639,819	2,708,598	2,602,150	3,877,746
Capital Project Funds	1,991,978	1,867,508	826,848	1,391,654
Other	-	-	-	-
Total All Other Governmental Funds	<u>\$ 5,572,240</u>	<u>\$ 5,672,085</u>	<u>\$ 4,297,881</u>	<u>\$ 6,137,898</u>

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: City Finance Division, HdL, Coren & Cone, CAFR (2001-2008)

<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
\$ -	\$ -	\$ 10,231	\$ -	\$ -
9,578,780	12,660,311	11,712,397	11,828,733	5,918,592
<u>\$ 9,578,780</u>	<u>\$ 12,660,311</u>	<u>\$ 11,722,628</u>	<u>\$ 11,828,733</u>	<u>\$ 5,918,592</u>

\$ -	\$ 86,405	\$ 115,383	\$ -	\$ -
870,578	1,423,415	-	-	-
-	-	-	-	-
-	-	-	-	-
3,118,222	3,943,369	3,498,174	2,556,810	1,742,184
1,169,652	2,608,808	409,545	442,875	6,349
-	1,072,021	-	1,674,819	1,498,111
<u>\$ 5,158,452</u>	<u>\$ 9,134,018</u>	<u>\$ 4,023,102</u>	<u>\$ 4,674,504</u>	<u>\$ 3,246,644</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>			
Taxes	\$ 7,550,906	\$ 8,855,321	\$ 8,635,219
Fees & Permits	1,736,087	1,835,160	1,764,706
Intergovernmental	6,770,179	8,381,614	7,325,820
Charges for Services	607,036	327,128	298,731
Investment Income	422,358	904,939	1,054,180
Fines, forfeits and penalties	274,251	320,097	338,571
Other	266,475	271,486	349,323
Total Revenues	<u>17,627,292</u>	<u>20,895,745</u>	<u>19,766,550</u>
<b>EXPENDITURES</b>			
Current:			
General Government	4,496,860	4,740,844	4,807,153
Building and Planning	1,059,697	1,134,310	1,088,534
Public Safety	8,019,896	7,623,419	6,434,622
Public Works	2,545,637	3,865,499	5,140,138
Capital Outlay	3,831,109	348,737	250,138
Debt Service:			
Principal	280,000	265,000	-
Interest	562,385	571,241	575,547
Service fees & other charges	-	-	-
Total Expenditures	<u>20,795,584</u>	<u>18,549,050</u>	<u>18,296,132</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,168,292)</u>	<u>2,346,695</u>	<u>1,470,418</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,592,624	2,271,638	3,310,023
Transfers Outs	(2,592,624)	(2,271,638)	(3,310,023)
Issuance of Debt	-	-	-
Total Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(3,168,292)</u>	<u>2,346,695</u>	<u>1,470,418</u>
Fund Balances, beginning of year	<u>22,733,457</u>	<u>20,386,762</u>	<u>18,916,344</u>
Fund Balances, end of year	<u>\$ 19,565,165</u>	<u>\$ 22,733,457</u>	<u>\$ 20,386,762</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES</b>			
	4.97%	4.59%	3.19%

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

City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: City Finance Division, CAFR (2001-2008)

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 8,291,229	\$ 7,940,304	\$ 7,678,109	\$ 6,756,856	\$ 6,144,365	\$ 5,606,349
1,546,410	1,580,822	1,507,143	1,473,745	2,067,205	1,671,983
8,288,428	6,842,601	6,161,674	6,022,030	7,822,904	6,053,694
274,483	453,674	350,211	191,651	269,881	358,849
631,304	364,561	214,800	341,895	443,217	289,510
363,044	278,978	296,973	260,896	270,471	263,087
479,089	501,701	704,656	18,063	1,445,931	7,435
<u>19,873,987</u>	<u>17,962,641</u>	<u>16,913,566</u>	<u>15,065,136</u>	<u>18,463,974</u>	<u>14,250,907</u>
4,902,918	4,876,998	4,733,646	5,032,730	3,939,096	2,826,933
973,131	1,141,458	1,003,705	970,918	1,379,831	1,273,368
6,028,949	5,740,329	5,411,742	4,778,075	1,317,882	1,271,524
3,204,397	2,560,259	2,774,830	4,642,292	4,116,256	1,067,953
9,932	10,121,622	9,073,287	398,628	372,908	1,382,249
-	-	-	-	-	-
575,548	575,540	239,811	-	-	-
-	-	426,478	-	-	-
<u>15,694,875</u>	<u>25,016,206</u>	<u>23,663,499</u>	<u>15,822,643</u>	<u>11,125,973</u>	<u>7,822,027</u>
<u>4,179,112</u>	<u>(7,053,565)</u>	<u>(6,749,933)</u>	<u>(757,507)</u>	<u>7,338,001</u>	<u>6,428,880</u>
2,244,604	7,644,226	1,534,764	2,956,907	963,647	-
(2,244,604)	(7,644,226)	(1,534,764)	(2,956,907)	(963,647)	-
-	-	12,795,000	-	-	-
-	-	12,795,000	-	-	-
<u>4,179,112</u>	<u>(7,053,565)</u>	<u>6,045,067</u>	<u>(757,507)</u>	<u>7,338,001</u>	<u>6,428,880</u>
14,737,232	21,790,797	15,745,730	16,503,237	9,165,236	2,736,356
<u>\$ 18,916,344</u>	<u>\$ 14,737,232</u>	<u>\$ 21,790,797</u>	<u>\$ 15,745,730</u>	<u>\$ 16,503,237</u>	<u>\$ 9,165,236</u>
3.67%	3.86%	4.57%	0.00%	0.00%	0.00%



**City of Rancho Santa Margarita**  
**Taxable Sales by Category**  
**Last Nine Fiscal Years**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Apparel Stores	*	\$ 22,537	\$ 25,695	\$ 26,198
General Merchandise	*	45,698	49,112	46,742
Food Stores	*	25,665	26,690	27,624
Eating & Drinking Places:	*	59,699	64,279	62,221
Building Materials	*	39,891	47,856	48,250
Auto Dealers & Supplies	*	132,862	175,602	191,779
Service Stations	*	52,198	46,243	45,193
Other Retail Stores	*	74,243	85,308	92,921
All Other Outlets	*	108,854	127,158	128,644
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	*	\$ 561,647	\$ 647,943	\$ 669,572
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>City Direct Sales Tax Rate</b>	0.85%	0.75%	0.75%	0.75%

\*Data for fiscal year 2008-2009 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.

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: California State Board of Equalization, HdL Companies

<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
\$ 25,771	\$ 26,657	\$ 27,891	\$ 15,496	\$ 15,047
41,646	40,417	37,008	34,663	32,554
25,754	24,770	25,487	26,552	27,092
59,051	54,049	49,784	42,724	35,391
48,991	50,085	43,583	40,878	40,070
179,852	166,482	135,324	108,533	92,661
41,343	36,443	30,668	25,172	21,802
88,651	77,323	70,612	56,731	50,768
118,884	125,280	115,896	110,200	113,158
<u>\$ 629,943</u>	<u>\$ 601,506</u>	<u>\$ 536,253</u>	<u>\$ 460,949</u>	<u>\$ 428,543</u>
0.75%	1.00%	1.00%	1.00%	1.00%

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

<b>Fiscal Year</b>	<b>Sales and Use Tax</b>	<b>Property Tax</b>	<b>Real Property Transfer</b>	<b>Total</b>
2009	\$ 2,199,059	\$ 5,145,381	\$ 206,466	7,550,906
2008	6,400,424	2,261,933	192,964	8,855,321
2007	6,325,108	2,015,510	294,601	8,635,219
2006	6,365,432	1,449,752	476,045	8,291,229
2005	5,935,350	1,528,596	476,358	7,940,304
2004	5,621,674	1,563,215	493,220	7,678,109
2003	4,886,699	1,459,741	410,416	6,756,856
2002	4,347,798	1,454,780	341,787	6,144,365
2001	4,048,066	1,262,640	295,643	5,606,349

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: City Finance Division, CAFR (2001-2008)

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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Miscellaneous Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Rate</b>
2009	\$5,732,867,423	\$380,038,052	\$305,419,495	\$ 479,713,183		\$ 6,898,038,153	0.06%
2008	5,819,200,351	373,671,244	286,424,261	497,659,141	-	6,976,954,997	0.06%
2007	5,477,649,646	370,791,656	269,361,787	453,170,650	-	6,570,973,739	0.06%
2006	4,990,738,000	353,751,230	261,808,655	383,406,176	-	5,989,704,061	0.06%
2005	4,555,259,930	342,546,269	238,993,681	365,193,604	-	5,501,993,484	0.06%
2004	4,193,972,829	308,585,993	221,362,605	324,985,962	-	5,048,907,389	0.06%
2003	3,910,985,949	259,633,179	205,372,612	321,428,759	-	4,697,420,499	0.06%
2002	3,654,160,918	226,755,441	176,426,471	326,437,933	-	4,383,780,763	0.06%
2001	3,391,054,494	172,229,482	151,891,625	163,618,902	-	3,878,794,503	0.06%

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

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: HdL Companies

**City of Rancho Santa Margarita**  
**Direct and Overlapping Property Tax Rates**  
**Last Nine Fiscal Years**

<b>Agency</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>
<b>Basic Levy*</b>	1.00000	1.00000	1.00000	1.00000
Capistrano U Sfid#1 1999 Bond#2000A	0.00279	0.00293	0.00273	0.00312
Capistrano U Sfid#1 1999 Bond#2001B	0.00445	0.00468	0.00430	0.00494
Capistrano U Sfid#1 1999 Bond#2002C	0.00247	0.00258	0.00244	0.00272
Metro Water Dist-Mun Wtr Oc Anx #15 1205016	0.00000	0.00000	0.00000	0.00000
Metro Water Dist-Mun Wtr Oc Anx #15	0.00000	0.00000	0.00000	0.00000
Metro Water Dist-Mwdoc - 1205999	0.00000	0.00450	0.00470	0.00520
Metro Water Dist-Mwdoc-Anx #8D 1205010	0.00430	0.19200	0.19220	0.19270
Metro Water Dist-Mwdoc-Orig Area	0.19180	0.00000	0.00000	0.00000
Saddleback Valley USD 2004 Bond#2004A	0.01633	0.01683	0.01280	0.03079
Saddleback Valley USD 2004 Series B	0.12010	0.00985	0.02414	0.00000
Santa Margarita Water Id#3 1978 Bond	0.14540	0.13320	0.13900	0.17660
Santa Margarita Water Id#3A-1984 Bond	0.16400	0.15040	0.15670	0.19840
Santa Margarita Water Id# 1978 Bond	0.06270	0.05730	0.07180	0.06630
Santa Margarita Water Id#4A 1984 Bond	0.21560	0.21120	0.22420	0.30720
Santa Margarita Water Id#4B 1984 Bond	0.31490	0.31850	0.36470	0.44160
Santa Margarita Water ID#4C 1984 Bond	3.13170	1.91340	1.90300	1.83660
Trabuco Canyon Water Dist Bonds	0.00000	0.00000	0.00000	0.00000
<b>Total Direct &amp; Overlapping Tax Rates</b>	<b>5.37654</b>	<b>4.01737</b>	<b>4.10271</b>	<b>4.26617</b>
 <b>City's Share of 1% Levy Per Prop 13</b>	 0.02978	 0.05777	 0.05777	 0.05777
<b>Total Direct Rate (1)</b>	0.02978	0.02978	0.02978	0.02978

This schedule shows information for all city tax rate area.

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

City's Share of 1% Levy is based on the share of the general fund tax rate area within the largest net taxable value in the city.

RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

\*Under Article IXXXXA of the California Constitution, local agencies within the State of California can only levy a tax rate for general obligation bonds. In addition, Article XIII A of the California Constitution specifies that the counties within the State of California may levy a basic tax rate, distributing the proceeds to the proper agencies.

<sup>(1)</sup> This tax rate does not include any Mello-Roos tax or special assessments.

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: Orange County Assessor 2000/01 - 2008/09 Tax Rate Table

<b>2004/05</b>	<b>2003/04</b>	<b>2002/03</b>	<b>2001/02</b>	<b>2000/01</b>
1.00000	1.00000	1.00000	1.00000	1.00000
0.00340	0.00392	0.00217	0.00307	0.00860
0.00544	0.00597	0.00505	0.00527	0.00000
0.00307	0.00303	0.00332	0.00000	0.00000
0.00000	0.00000	0.01020	0.00000	0.01280
0.00000	0.00000	0.00000	0.01140	0.00000
0.00580	0.00610	0.00670	0.00000	0.00880
0.19330	0.19360	0.19420	0.19520	0.19630
0.00000	0.00000	0.00000	0.00770	0.00000
0.03626	0.00000	0.00000	0.00000	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000
0.18900	0.22600	0.25200	0.27400	0.31100
0.20500	0.24600	0.27300	0.29700	0.33800
0.07000	0.11500	0.23500	0.30000	0.39000
0.32100	0.36800	0.33000	0.32700	0.29400
0.44000	0.46500	0.34500	0.35200	0.28700
5.33100	1.23500	1.11500	1.05000	0.96000
0.00000	0.00000	0.00000	0.00055	0.00056
<b>7.78227</b>	<b>3.86762</b>	<b>3.77164</b>	<b>3.82319</b>	<b>3.80706</b>
0.05777	0.05777	0.05777	0.05777	0.05777
0.02978	0.02978	0.02985	0.03206	0.03207

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

<b>Taxpayer</b>	<b>2009</b>			<b>2001</b>		
	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>	<b>Total Assessed Value</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Rank</b>
Cox Communications, Inc. Orange	\$ 58,793,172	0.85%	1			
Applied Medical Resources Corp.	40,704,115	0.59%	4			
Northwestern Mutual Life Insurance Co.				\$ 40,136,834	1.03%	2
BRE Properties, Inc.	44,243,973	0.64%	3			
Villa La Paz Partners Ltd. Partnership	36,041,378	0.52%	5	44,698,195	1.15%	1
Sanyo Foods Corp. of America				25,993,738	0.67%	6
Antonio Acquisition Company LLC	33,661,730	0.49%	6			
TIS Equities IX LLC	26,003,293	0.38%	8			
KRC Santa Margarita	24,480,953	0.35%	9			
Crescent Limited Partnership	23,759,862	0.34%	10	20,305,312	0.52%	9
Koll Santa Margarita Retail Venture				31,404,754	0.81%	3
ERP Operating Limited Partnership				29,821,734	0.77%	4
Barbara L. Clement				26,617,016	0.69%	5
Pacific Mutual Life Insurance Company				22,758,422	0.59%	7
AM Rancho Santa Margarita	28,048,444	0.41%	7	21,543,902	0.56%	8
EL Prado LLC	46,965,375	0.68%	2	18,962,291	0.49%	10
Totals	<u>\$362,702,295</u>	<u>4.57%</u>		<u>\$282,242,198</u>	<u>7.28%</u>	

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

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

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

<b>Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Total Tax Collections</b>	<b>Percentage of Levy</b>
2009	\$ 1,981,063	\$ 1,906,112	96.22%	93,040	\$ 1,912,628	96.55%
2008	1,986,995	1,910,346	96.14%	57,180	1,913,808	96.32%
2007	1,862,630	1,801,581	96.72%	33,987	1,813,177	97.34%
2006	1,445,537	1,419,756	98.20%	25,804	1,499,752	103.75%
2005	1,534,511	1,506,541	98.20%	22,087	1,528,596	99.61%
2004	1,575,818	1,549,698	98.30%	*	1,537,095	97.54%
2003	1,459,678	1,426,632	97.70%	*	1,459,741	100.00%
2002	1,467,648	1,430,843	97.50%	*	1,454,780	99.12%
2001	1,298,604	1,262,640	97.20%	*	1,262,640	97.23%

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

\*Data prior to FY 04/05 not available.

Source: O.C. Auditor-controller, City Finance Division, CAFR (2001-09)



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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Lease Revenue Bonds</b>	<b>Certificates of Participation</b>	<b>Mitigation Obligation (3)</b>	<b>Total Governmental Activities</b>	<b>% of Actual Assessed Value of Property <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
2009	\$ -	\$ -	\$ 12,250,000	\$ -	\$ 12,250,000	0.18%	\$ 246
2008	-	-	12,530,000	-	12,530,000	0.18%	252
2007	-	-	12,795,000	\$ 600,000	\$ 13,395,000	0.20%	269
2006	-	-	12,795,000	1,000,000	13,795,000	0.23%	280
2005	-	-	12,795,000	1,000,000	13,795,000	0.25%	281
2004	-	-	12,795,000	1,000,000	13,795,000	0.27%	281
2003	-	-	12,795,000	1,000,000	13,795,000	0.29%	283
2002	-	-	-	1,000,000	1,000,000	0.02%	21
2001	-	-	-	1,000,000	1,000,000	0.03%	21

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

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

<sup>(3)</sup> Pursuant to LAFCO agreements, upon incorporation in 2000, the City became obligated to make payments to Orange County to mitigate loss of County property and sales tax.

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

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 Nine Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Total General Obligation Bonds</b>	<b>Less Debt Service Fund <sup>(1)</sup></b>	<b>Net Bonded Debt</b>	<b>Percent of Debt to Assessed Value <sup>(2)</sup></b>	<b>Debt per Capita</b>
2009	49,704	\$ -	\$ -	\$ -	0.00%	\$ -
2008	49,764	-	-	-	0.00%	-
2007	49,718	-	-	-	0.00%	-
2006	49,217	-	-	-	0.00%	-
2005	49,071	-	-	-	0.00%	-
2004	49,023	-	-	-	0.00%	-
2003	48,810	-	-	-	0.00%	-
2002	48,478	-	-	-	0.00%	-
2001	47,214	-	-	-	0.00%	-

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

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

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: City Finance Division, Department of Finance, Bureau of Economic Analysis

**City of Rancho Santa Margarita  
Direct & Overlapping Bonded Debt  
June 30, 2009**

	<b>Rate Applies to</b>	<b>Gross Bonded Debt Balance</b>	<b>Percent Applicable to City</b>	<b>Net Bonded Debt</b>
<b>Direct Debt</b>				
A65.01 City of RSM Nonprofit Corp. COP		\$ 12,250,000	100%	\$ 12,250,000
<b>Total Direct Debt</b>				<b>12,250,000</b>
<b>Overlapping Debt</b>				
628.01 Capistrano Unified SFID#1 1999 Bond#2002C		16,580,000	1.54%	250,387
629.01 Capistrano Unified SFID#1 1999 Bond#2001B		23,504,930	1.54%	337,702
640.02 Capistrano Unified SFID#1 1999 Bond#2000A		15,920,000	1.54%	239,444
6AB.01 Saddleback Valley USD 2004 Bond#2004A		89,070,000	14.52%	12,803,594
6AW.01 Saddleback Valley USD 2004 Series B		53,410,000	14.52%	7,548,604
*C55.14 Metro Water Dist-MWDOC-1205999		66,198,355	1.98%	1,159,878
C76.56 Santa Margarita Water ID#4-Bond	Land	138,220,000	39.44%	63,142,898
C76.58 Santa Margarita Water ID#3-Bond	Land	7,636,157	99.81%	23,946,442
<b>Total Overlapping Debt</b>				<b>109,428,950</b>
<b>Total Direct and Overlapping Debt</b>				<b>\$ 121,678,950</b>

2008/09 Assessed Valuation: \$6,898,038,153 After Deducting \$0 Redevelopment Increment.

Debt To assessed Valuation Ratio Direct Debt	0.18%
Overlapping Debt	1.58%
Total Debt	1.76%

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

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

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: HdL Companies

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assessed Valuation	\$ 6,898,038,153	\$ 6,979,954,997	\$ 6,570,973,739	\$ 5,989,704,151
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 1,724,509,538	\$ 1,744,988,749	\$ 1,642,743,435	\$ 1,497,426,038
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 258,676,431	\$ 261,748,312	\$ 246,411,515	\$ 224,613,906
Total Net Debt Applicable to Limit: General Obligation Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 258,676,431</u>	<u>\$ 261,748,312</u>	<u>\$ 246,411,515</u>	<u>\$ 224,613,906</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.

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

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

<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
\$ 5,501,993,484	\$ 5,048,907,389	\$ 4,697,420,499	\$ 4,383,780,763	\$ 3,878,794,503
25%	25%	25%	25%	25%
\$ 1,375,498,371	\$ 1,262,226,847	\$ 1,174,355,125	\$ 1,095,945,191	\$ 969,698,626
15%	15%	15%	15%	15%
\$ 206,324,756	\$ 189,334,027	\$ 176,153,269	\$ 164,391,779	\$ 145,454,794
-	-	-	-	-
<u>\$ 206,324,756</u>	<u>\$ 189,334,027</u>	<u>\$ 176,153,269</u>	<u>\$ 164,391,779</u>	<u>\$ 145,454,794</u>
0.00%	0.00%	0.00%	0.00%	0.00%

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (1) (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Income per Median Household</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2009	49,704	\$ 2,050,737	\$ 41,259	\$ 97,744	31.9	5842	5.50%
2008	49,764	1,566,261	31,474	106,222	31.9	5488	3.80%
2007	49,718	1,535,550	30,885	103,028	31.9	5454	2.60%
2006	49,130	1,505,441	30,642	99,967	31.9	5420	1.80%
2005	49,249	*	*	*	*	*	*
2004	49,023	*	*	*	*	*	*
2003	48,810	*	*	*	*	*	*
2002	48,478	*	*	*	*	*	*
2001	47,214	*	*	*	*	*	*

\*Data prior to fiscal year 2005-06 is not available.  
Estimated for 2009

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

**City of Rancho Santa Margarita  
Principal Employers  
Last Three Fiscal Years**

<b>Employer</b>	<b>2009</b>		<b>2008</b>		<b>2007</b>	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
Applied Medical	1,249	4.28%	1,200	4.11%	1,100	3.77%
Cox Communications	1,200	4.11%	1,100	3.77%	1,000	3.42%
Oconnell Landscape	1,090	3.73%	985	3.37%	940	3.22%
Saddleback Valley School District	550	1.88%	572	1.96%	572	1.96%
Lucas & Mercier Construction	567	1.94%	567	1.94%	567	1.94%
Control Components Inc. (CCI)	370	1.27%	370	1.27%	400	1.37%
Target Corporation	240	0.82%	230	0.79%	300	1.03%
Car Sound Exhaust System, Inc.	210	0.72%	210	0.72%	210	0.72%
Capistrano Unified School District	200	0.68%	200	0.68%	200	0.68%
PADI	170	0.58%	200	0.68%	200	0.68%
Santa Margarita Catholic H.S.	200	0.68%	200	0.68%	200	0.68%
Kohl's	109	0.37%	101	0.35%	*	*

Note: Data prior to Fiscal Year 2005-2006 is not available.

Note: Percentages based on 29,200 available jobs FY 2005-2006 and 2006-2007.

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

\* Information not available prior to 2007.

Source: City Finance Division, Development Services



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

<b>FUNCTION</b>	<b>Full-Time and Part-Time Employees as of June 30</b>								
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
City Manager Full-Time	3.00	3.00	5.00	8.50	8.75	8.25	7.25	6.25	7.50
City Clerk Full-Time	2.60	2.60	2.38	2.38	2.50	2.40	2.00	2.00	1.50
Finance Full-Time	-	-	2.35	2.00	2.00	2.20	3.20	3.00	2.00
Police Services Full-Time	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.50	-
Bldg./Planning Full-time	3.60	3.25	7.00	4.75	4.75	3.75	3.75	3.25	4.25
Engr./Pub. Works Full-Time	3.00	3.25	4.55	4.55	4.50	4.50	4.50	3.50	1.50
Comm. Services Full-Time	-	-	2.25	2.25	2.50	2.00	2.50	0.50	-
Admin. Services Full-Time	14.10	8.35	-	-	-	-	-	-	-
<b>Total</b>	<b>27.30</b>	<b>21.45</b>	<b>24.53</b>	<b>25.43</b>	<b>26.00</b>	<b>24.10</b>	<b>24.20</b>	<b>19.00</b>	<b>16.75</b>

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

Finance and Community Services department and Human Resources Division of the City Manager department were reorganized into Divisions of the Administrative Services Department.

The City incorporated January 1, 2000. The City's first full fiscal year financial statements were for the period ended June 30, 2001.

Source: City Finance Division, City Human Resources, Budget 2009-2010;  
Adopted Operating Budget and Capital Improvement Plan FY 2009-2010

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

<b>FUNCTION</b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
General Government									
Civic Center/City Hall Building	1	1	1	1	1	-	-	-	-
Police Services									
Support Vehicles	1	1	1	1	1	1	1	1	-
Motorcycles	3	3	3	3	3	3	3	3	-
Public Works									
Streets (Miles)	99	99	99	99	99	*	*	*	*
Traffic Signals	159	159	158	156	156	*	*	*	*
Community Services									
Dog Parks	1	1	1	1	1	-	-	-	-
Skate Parks	1	1	1	1	1	-	-	-	-

\*Data is not available.

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

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

<b>FUNCTION</b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
General Government				
Financial Reports & Audits Completed	12	12	7	6
Checks/Wire Transfers	1,664	2,355	2,152	2,389
Police Services				
Physical Arrests	*	986	770	737
Parking Citations	*	2,090	3,544	3,467
Traffic Citations	*	3,814	3,384	3,886
Public Works				
Street paving (miles)	6	25	15	51
Sidewalks replaced (sq. ft.)	4,000	2,975	1,443	3,118
Curb refurbished (linear feet)	23,000	19,769	12,726	14,526
Traffic signs replaced/installed	536	559	432	304
Pavement Condition Index (70 = min. acceptable)	76.5	76	73	70
Building and Planning				
Building Permits Issued	807	786	751	742
Building Inspections Completed	1,953	3,460	3,613	4,042
Plan Checks Performed	126	355	327	355
Community Services				
Recreational & Instructional Classes Offered	134	102	121	106
Senior Mobility Ride Vouchers	422	440	145	688
Community Events Attendance	30,500	30,000	19,300	17,900
Community Magazine Publications	3	3	3	3

\* Data not readily available.

Source: City Finance Division, and City Public Safety Department

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
7	6	5	4	3
2,401	*	*	*	*
643	493	376	531	*
2,142	2,570	2,284	2,248	*
5,163	4,571	4,491	4,895	*
15	25	46	15	*
2,300	*	*	*	*
11,200	*	*	*	*
438	*	*	*	*
78	75	78	73	70
903	722	*	*	*
3,271	2,074	*	*	*
618	461	*	*	*
122	757	563	47	
585	516	*	*	*
2,500	8,000	12,000	10,000	5,000
3	3	3	3	3

**City of Rancho Santa Margarita**  
**Miscellaneous Statistics**  
**June 30, 2009**

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:	49,704
Area in square miles:	13
Form of Government:	Council-Manager
Date of Incorporation:	January 1, 2000
Number of Full Time Employees:	19
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:	17 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**