

City of Rancho Santa Margarita California

Comprehensive Annual Financial Report



**For the Year Ending
June 30, 2018**

Comprehensive Annual Financial Report

For the Year Ended June 30, 2018

Finance Division

City of Rancho Santa Margarita, California

City Council



Michael Vaughn
Mayor



Jerry Holloway
Mayor Pro Tempore



L. Anthony Beall
Council Member



Carol A. Gamble
Council Member



Bradley J. McGirr
Council Member

City of Rancho Santa Margarita, California

CITY OF RANCHO SANTA MARGARITA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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Introductory Section

City of Rancho Santa Margarita, California



CITY OF RANCHO SANTA MARGARITA

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949.635.1800 • fax 949.635.1840 • www.cityofrsm.org

December 14, 2018

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 18th 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 information not previously available in local government financial statements.

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

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 prior fiscal years and most recently 2016, 2017 and 2018 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. For the Comprehensive Annual Financial Report for fiscal year ended June 30, 2018, the City has implemented the new GASB standards No. 75. 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, recreation 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:

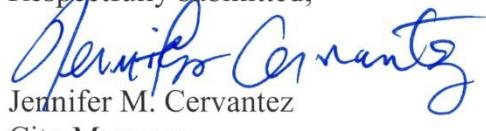
Attachment Content

- 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, 2018 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 Department staff. Each member of the staff has my sincere appreciation for their contributions made in the preparation of this report.

Respectfully submitted,



Jennifer M. Cervantez

City Manager

ATTACHMENT A

ECONOMIC CONDITION AND OUTLOOK

Rancho Santa Margarita is located 58 miles southeast of Los Angeles. The City is distinguished by its high-end residential neighborhoods and small-town charm. In Fiscal Year 2018, sales, motor vehicle in-lieu, and property taxes made up approximately 80% of the City's general revenues.

This is the City's 18th fiscal year since incorporation, and the 16th consecutive year that the City provided and paid the full cost of all services transitioned from the County of Orange, including contractual Police Services, which account for over 50% of General Fund expenditures.

For the fiscal year ended June 30, 2018, the City continued on a steady course as the economy continues to recover. The City Council's adopted budget funded all services by utilizing operating revenues. At year end, General Fund revenues, outside of transfers in, exceeded budgeted revenues by \$669,893. While General fund expenditures, not including transfers out, came in under budget by \$456,750 compared to budgeted amounts through cost cutting measures and budget savings without affecting core City service levels to residents and businesses. Transfers in and transfers out were under budget by \$1,710,361 for an overall General Fund net surplus of \$2,837,004 compared to budget. The net operating surplus includes growth in property tax and building permit fees, as well as, expenditure savings within the City departments. It also includes a transfer of the funds held in the Prepaid Base Rental escrow account recorded in the Debt Service Fund to the General Fund. These funds were held in an escrow account until the building repairs at City Hall and the Bell Tower were completed. The repairs were completed in 2017 and the funds were transferred from the escrow account held with the trustee to the City. Although there was an increase in the General Fund balance, it was not an increase in revenue, instead it was a transfer of funds from the Debt Service fund to the General Fund. The FY 2017/18 budget also assumed the use of reserve funds for planned expenditures. These expenditures included a mitigation obligation payment to the County of Orange, various capital projects, the final phase of the 800 MHz radio and equipment upgrade, and the third year of the General Plan update. The capital projects included the Habitat Restoration Project, median hardscape renovations, the City Hall landscape renovation, the information technology server room fire suppression system, as well as, other building improvements to the City Hall and the Bell Tower Regional Community Center.

Revenues for Fiscal Year 2017/18 increased over budget estimates by about \$669,893, or 3.9%. Increased property tax, property tax in-lieu of VLF, and property tax transfer revenue contributed \$210,750, sales tax revenues reflected an increase of \$49,182 compared to budget estimates. The City showed positive growth throughout the revenue categories with higher growth recorded in areas such as building permit fees and planning and recycling deposits when compared to budget. The City showed growth of \$148,125 in interest income revenue; however, also experienced lower franchise fee revenues compared to prior years. Although there were many variances between the various revenue line items, the City revenues came in above budget.

ECONOMIC CONDITION AND OUTLOOK CONTINUED

Sales tax revenues were the City's largest revenue source at \$6,658,452, or 38%, of General Fund revenue for the fiscal year ended June 30, 2018. Motor vehicle fees and VLF in-lieu taxes of \$4,604,370 made up the City's second largest revenue source at 26% of general revenues. Property taxes of \$2,887,677 accounted for 16% of general revenues.

Current year sales tax revenues reflected an increase over the prior year actual sales tax revenue. The City expects sales tax growth to continue with a slow-to-moderate-growth trend, as consumer and business spending for goods and services stabilize. The City's outlook for current year estimated property tax revenue of \$2.9 million, which includes property transfer tax revenues, looks promising as the assessed property values increased between 2016/17 and 2017/18. Current information presents a brighter outlook on the economic recovery stating that home values are stabilizing, credit conditions are improving and household spending is strengthening. Although certain data points to improving general economic conditions, the City remains cautious as it steadily moves forward.

ATTACHMENT B

MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE

Land Settlement

The City settled a multi-year dispute with Orange County over land transfers from the City's incorporation in 2000. As part of the settlement, the City transferred to the County an environmentally significant 15 acre parcel of land it purchased in 2009. In return, along with other settlement transactions, the County conveyed 92 acres of land to the City that may be developable and economically useful. The settlement was finalized and recorded in Fiscal Year 2010. As a result of the settlement, the City was required to restore and enhance at least 80 acres of other land to native habitat conditions, and in addition, will have the opportunity to develop an active sports park. The City contracted with Habitat Restoration Sciences, Inc. and the restoration has been completed. The City has now moved into the maintenance phase of the 82.9 acre Upper Oso Habitat Restoration Project, and the maintenance phase has been scheduled to take place over a five-year period, with two years remaining.

Public Safety

Using the most recent crime statistics reported on the Federal Bureau of Investigation (FBI) Uniform Crime Report website, Rancho Santa Margarita has consistently been ranked as one of the safest cities in California since Incorporation in the year 2000. Based on the crime statistics for 2017, Rancho Santa Margarita is ranked as the #1 safest city in the entire County of Orange with the lowest crime rate per 1,000 residents. Rancho Santa Margarita Police Services is well positioned to respond to external events and changes in the criminal justice system. The City expects to continue to be ranked as one of the safest cities in the year 2018 and beyond.

Public Works Improvements

Major projects included annual residential overlays, and annual slurry seal programs for (\$244,809) and pavement rehabilitation projects at a cost of \$936,733. Other projects include median hardscape renovations of (\$165,763). The City also initiated and completed various projects including signal and equipment upgrades, improved signage, and continued the Chiquita Ridge Open Space assessment project for a combined total of (\$431,573) and is currently in the maintenance phase of the 82.9 acre Upper Oso Habitat Restoration Project with a cost of \$210,955. Federal Community Development Block Grant (CDBG) funds were used for median ADA Improvements at a cost of \$102,093 and the Veranda Laguna sidewalk improvement project for \$194,982. The City also completed the improvement at City Hall and Bell Tower Regional Community Center (BTRCC) including the staining and sealing of the exterior wood, interior painting at the BTRCC, and City Hall landscaping for a total of \$184,247, as well as, the use of local park trust funds toward the completion of the City's dog park renovation (\$97,500) and improvements to the BTRCC Youth Lounge Courtyard (\$93,920). Work has continued on the SMP Bridge Hinge Repair project with cost of \$12,927 in FY 2017/18.

MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE, CONTINUED

Community Services Programs

Beginning in fiscal year 2001, 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 then and this year will celebrate the City's 18th anniversary. This fiscal year the City continued to provide concerts in the park during the summer months, with the twelfth annual series being received with great success. Community Services staff has continued adding programs and activities at the Bell Tower Regional Community Center. 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.

General Plan 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 current General Plan in December 2002 with updates to the Housing Element in 2013 and the Circulation Element in 2014. The City is in the process of updating the remaining elements of the General Plan. This effort began during FY 2015/16 and will conclude during FY 2018/19. A General Plan Consultant was selected in February 2016. During FY 2017/18, staff and the consultant completed the public review draft of the General Plan Elements and began preparation of the related Environmental Impact Report.

ATTACHMENT C

OTHER INFORMATION

Records Management

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

Economic Stimulus Program Reporting

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

Independent Audit

The annual independent audit of the City's financial statements was conducted following the June 30th end of the fiscal year. The accounting firm of Davis Farr, LLP was contracted by the City Council to perform the annual audit. As part of the City's annual audit, detailed examinations were made of the City's financial records and reports to verify their accuracy as well as to determine that the City has complied with applicable laws and regulations. In addition, procedures were performed to determine the adequacy of the internal control structure; however, because the cost of control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. The results of the City's annual audit for the fiscal year ended June 30, 2018, 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.

OTHER INFORMATION, CONTINUED

Interim Budgetary Review

Additionally, the City maintains budgetary controls. The objective of the budgetary controls is to reasonably ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The annual budgets for both Fiscal Year 2017 and 2018 were adopted by the City Council at a public hearing, following budget development study sessions. Activities of the General, Special Revenue, Debt Service and Capital Projects Funds are included in the annual appropriated budget. The City also maintains an encumbrance accounting system as one method of accomplishing internal budgetary control. Additionally, the City Council has requested and received interim updates of budgetary performance and variance analysis. The updates are intended to provide additional support for staff to monitor and adjust budgeted revenues and expenditures based on comparisons to current and historical activity, and to aid City Council discussions and decisions regarding the City's budget.

Reserves Policy

A continuing priority of the City Council has been to exercise prudent financial management, provide long term financial planning, and strong internal control of City asset uses, by adopting a policy regarding the City's accumulated net resources called fund balance. The City Council completed an annual review of the City's Reserves Policy and adopted to assign \$7,769,118 to several categories of available fund balance. Classifications essentially reflect a government's self-imposed limitations on the use of otherwise available current financial resources. The classification categories are: Council Strategic, Technology, Facilities, Vehicles, and Infrastructure and Emergency. The City Council has not established a minimum amount to be maintained in any of the classification categories.

Cost Allocation Plan and User Fees and Charges Study

It is the City's goal to have a well-documented user fee structure that is based on a legally defensible methodology for calculating and establishing the City's development processing fees and other City rates, charges, and user fees, which will incorporate all direct and indirect costs of providing the services and will be compliant with applicable law, including the Mitigation Fee Act (Government Code §66000 et seq.). In order to capture the actual costs of providing services, the City retained NBS Government Finance Group (NBS), to prepare a full-cost allocation plan and to perform a comprehensive study of all City development processing fees and other City rates, charges, and user fees for various governmental services. The updated Master Fee Schedule was approved by City Council on May 10, 2017 and became effective on July 10, 2017. The City has the ability to increase fees annually based on CPI and approved to increase fees by 3.97% on July 11, 2018 to be effective September 10, 2018.

OTHER INFORMATION, CONTINUED

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Santa Margarita for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. 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 seventeenth consecutive year that the City has received this award. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA for inclusion in the award program evaluations for this fiscal year ended June 30, 2018.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Rancho Santa Margarita
California**

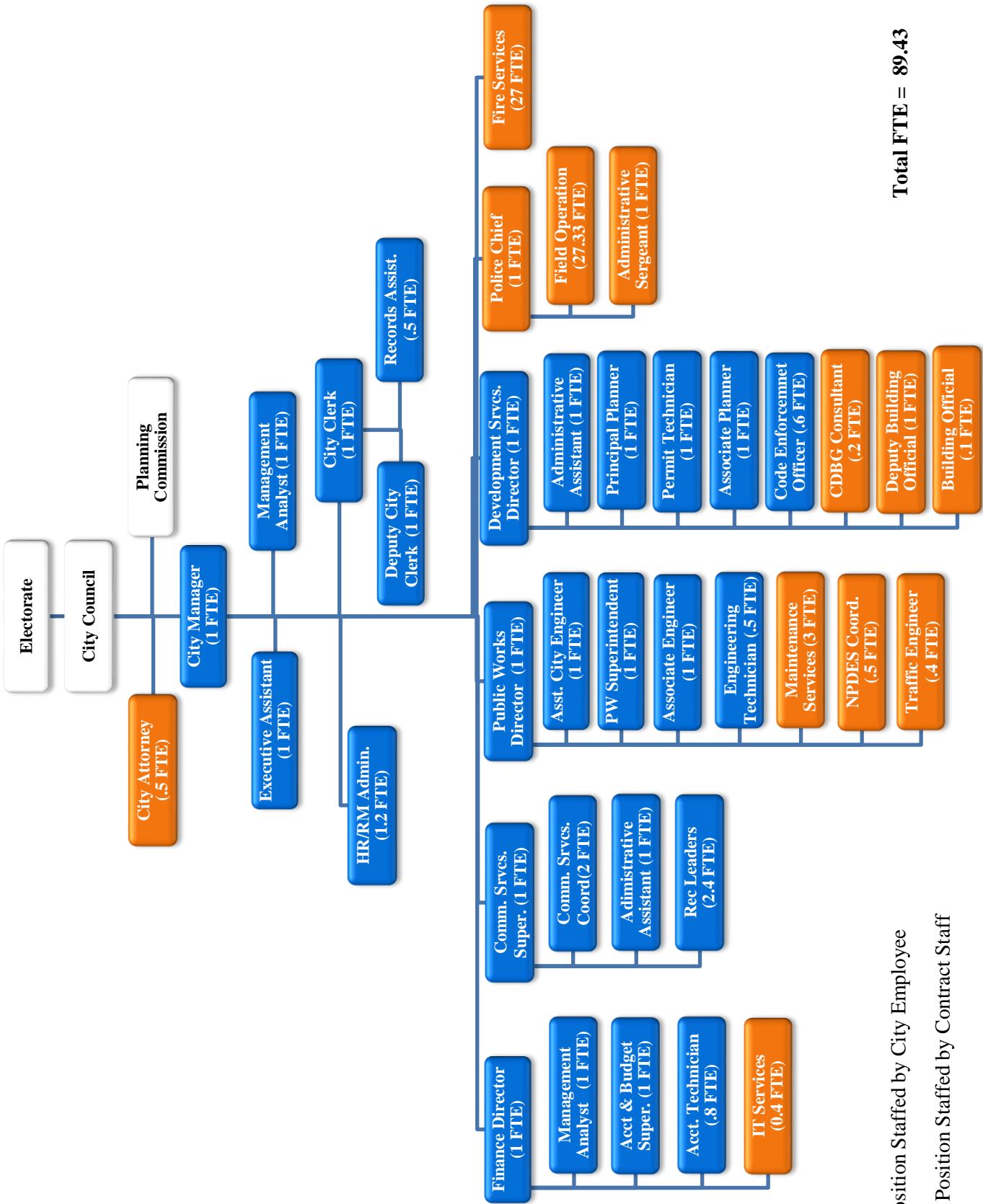
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Rancho Santa Margarita
ORGANIZATION CHART BY CITY EMPLOYEES & CONTRACTS



Blue = Position Staffed by City Employee

Orange = Position Staffed by Contract Staff

City of Rancho Santa Margarita

LIST OF PRINCIPAL OFFICIALS

Council – Manager Form of Government

CITY COUNCIL

MICHAEL VAUGHN
Mayor

JERRY HOLLOWAY
Mayor Pro Tempore

L. ANTHONY BEALL
Council Member

CAROL A. GAMBLE Council Member

BRADLEY J. MCGIRR
Council Member

CITY ADMINISTRATION

Jennifer Cervantez
City Manager/City Treasurer

Stefanie Turner/Finance Director
Cheryl Kuta, Planning/Community Development Director
Greg Simonian, City Attorney
Amy Diaz, City Clerk
Lieutenant John McCulloch, Chief of Police Services
Wendi Redington, Community Services Supervisor
Steve Kooyman, City Engineer/Public Works Director

Financial Section

City of Rancho Santa Margarita, California



Financial Section

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Santa Margarita, California, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note 7 to the financial statements, during the year ended June 30, 2018, the City implemented *Governmental Accounting Standards Board (GASB) Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the financial statements for the year ended June 30, 2018 reflect a prior period adjustment as described further in note 13 to the financial statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of the City of Rancho Santa Margarita's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rancho Santa Margarita's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Dennis Lam CPA". The signature is fluid and cursive, with "Dennis" and "Lam" connected, and "CPA" in a smaller, more formal block font to the right.

December 14, 2018
Irvine, California

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Management's Discussion & 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 (FY) ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements which follow this discussion.

Financial Highlights

- The government-wide assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflow of resources, at June 30, 2018, by \$127.8 million (*net position*). Of this amount, \$17.4 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Legal and contractual obligations restrict \$3.9 million of net position for specific City programs. Investment in capital assets totals \$106.5 million.
- The government's total net position decreased by \$.76 million during the fiscal year ended June 30, 2018. Revenues increased by \$0.83 million. The "Other" revenue increased by \$0.08 million due to one-time revenues received in the current year. Sales Tax decreased by \$0.01 million, in part, due to the implementation of a new automation system by the CA Department of Tax and Fee Administration (CDTFA) which experienced delays in processing tax returns during the fourth quarter of the fiscal year. The CDTFA has stated that the missing sales tax revenue will be incorporated into future sales tax payments. Property tax revenue, including Property Tax in lieu of VLF, and Property Transfer Tax revenue, increased \$0.38 million; fees and intergovernmental revenue decreased \$0.01 million; operating grants and contributions increased \$0.15 million; as well as, investment revenue increased by \$.14 million. Other revenue sources showed minimal change. The net increase from the prior year in general government expenses is \$.73 million and is due to capital projects spending fluctuations and a payment towards the Mitigation Obligation to the County of Orange, as well as, other planned use of reserve expenditures.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$22.8 million, a decrease of .14 million in comparison with the prior year. Approximately 18.9 percent, or \$4.3 million of this total amount, has been allocated for specific obligations (*nonspendable, restricted, committed fund balance*), and 81.1 percent, or \$18.5 million is available for other spending purposes at the City Council's discretion (*assigned, unassigned fund balance*).
- At June 30, 2018, the City's General Fund totaled \$18.7 million. Of the total fund balance, \$0.4 million is nonspendable or committed for future use. The remaining available fund balance is made up of the assigned fund balance of \$7.8 million and

unassigned fund balance of \$10.5 million. This portion of General Fund totaled \$18.3 million which equaled 98 percent of total General Fund expenditures including transfers out for the fiscal year ended June 30, 2018. Although available, the City Council has classified this \$18.3 million for specific purposes, including emergencies.

- The City's total long-term liabilities decreased by \$1.02 million (8 percent) during the current fiscal year. This decrease is the net effect of the payment made for principal retirement on Lease Revenue Refunding Bonds in October 2017, and a decrease in the amount owed on the sales tax mitigation payment.

Overview of the Financial Statements

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

Government-wide Financial Statements

The *government wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present information about the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government, building and planning, public safety, and public works.

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the individual funds—not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other

funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Rancho Santa Margarita uses only *governmental funds* for accounting and reporting purposes.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund 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. The supplementary financial information also includes budgetary comparison schedules for the non-major governmental

funds and the Capital Projects major fund to demonstrate compliance with the annual budget as adopted and amended. These combining and individual fund statements and schedules can be found immediately following the Notes to the Required Supplementary Information.

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

Government-wide Financial Analysis

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

The largest portion of the City's net position (83 percent) reflects its net investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rancho Santa Margarita
Statement of Net Position
As of June 30, 2018 and 2017
(in thousands)

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Assets:		
Current and other assets	\$ 25,138	\$ 25,621
Capital assets	<u>115,794</u>	<u>117,170</u>
Total assets	<u>140,932</u>	<u>142,791</u>
Deferred Outflows of Resources:	<u>1,411</u>	<u>1,466</u>
Liabilities:		
Long-term liabilities	12,066	13,085
Other liabilities	<u>2,367</u>	<u>2,498</u>
Total liabilities	<u>14,433</u>	<u>15,583</u>
Deferred Inflows of Resources:	<u>86</u>	<u>93</u>
Net Position:		
Net investment in capital assets	106,520	109,252
Restricted	3,878	5,369
Unrestricted	17,426	13,960
Total net position	<u>\$ 127,824</u>	<u>\$ 128,581</u>

During the fiscal year ended June 30, 2018, net position of the City decreased .59 percent to \$127,824 million, of which \$106.5 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$3.9 million is restricted for fulfillment of specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$17.4 million, an increase of 24.8 percent from the prior year total of \$14 million is unrestricted; and may be used to meet the City's ongoing obligations, but is subject to classes and categories of use, for specific purposes as determined by the City Council.

City of Rancho Santa Margarita
Statement of Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(in thousands)

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for service	\$ 1,401	\$ 1,312
Operating grants and contributions	3,263	3,114
Capital grants and contributions	13	-
General revenues:		
Property taxes	7,466	7,087
Sales taxes	6,658	6,669
Fees and intergovernmental	1,395	1,402
Other revenues	127	50
Investment revenue	284	148
Total revenues	<u>20,607</u>	<u>19,782</u>
Expenses		
General government	4,392	3,664
Building and planning	1,136	1,091
Public safety	9,514	9,645
Public works	5,978	6,167
Interest expense	308	325
Total expenses	<u>21,328</u>	<u>20,892</u>
Excess (deficit) of revenues over expenses	<u>(721)</u>	<u>(1,110)</u>
Increase (Decrease) in net position	(721)	(1,110)
Beginning net position	<u>128,545</u>	<u>129,691</u>
Ending net position	<u>\$ 127,824</u>	<u>\$ 128,581</u>

Overall, Citywide revenues for the fiscal year ended June 30, 2018 increased by \$0.83 million a 4.2 percent increase over the prior year. Property tax revenue increased by \$0.38 million and sales tax revenue decreased by \$0.01 million; mostly due to the implementation of a new automation system by the CA Department of Tax and Fee Administration (CDTFA) which experienced delays in processing tax returns in the fourth quarter of the

fiscal year. Other revenue increased by \$0.08 million due to one-time revenue received in the fiscal year.

- Total program revenues of \$4.7 million were 23 percent of total revenues.
- Total general revenues of \$15.9 million were 77 percent of total revenues.

Total related expenses increased by \$.44 million, a 2.09 percent increase from the prior year. Public Works expenses, which account for 28 percent of the total expenses, were used for overlay, other street and sidewalk repair projects throughout the City, the City Hall landscaping renovation project, improvements to the youth lounge courtyard, as well as, interior painting at the BTRCC. There was also the completion of the dog park renovation and median hardscape renovation throughout the City. Public Safety expenses accounted for 45 percent of total current expenses. The overall increase in expense also reflects the completion of ongoing and current year capital projects, as well as, expenses for the mitigation payment and the third year of the General Plan.

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, 2018, the City's governmental funds reported total combined ending fund balances of \$22.8 million, a decrease of \$.14 million from the prior year. Approximately 35 percent of the City's governmental funds ending fund balances, or \$8 million, constitutes *assigned fund balance*, which have been classified by the City Council for specific uses. Approximately 46 percent of the City's governmental funds ending fund balances, or \$10.5 million, constitutes *unassigned fund balance* which is available for spending at the government's direction. *Restricted fund balance* of \$3.9 million, or 17 percent is available to: 1) pay debt service and 2) use for specific purposes as required by special revenue funds (\$3.87 million). The remainder of fund balance, \$0.43 million, is *committed* to indicate that it is not available for new spending, because it has already been committed to: 1) general plan and fee update (\$.1 million), 2) liquidate contracts and purchase orders of the prior period (\$.3 million), 3) a reserve for self-insurance deductible liability (\$.03 million).

General Fund Financial Highlights

The general fund is the chief operating fund of the City. At June 30, 2018, assigned fund balance was \$7.8 million and unassigned fund balance of the general fund was \$10.5 million, while total fund balance was \$18.7 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 56.2 percent of the total General Fund expenditures. As mentioned above, however, the City Council has classified the assigned fund balance \$7.8 million for specified purposes.

City of Rancho Santa Margarita
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>
Revenues		
Taxes	\$ 14,125	\$ 13,756
Fees and permits	1,966	1,884
Intergovernmental	291	231
Charges for service	692	747
Investment income	225	110
Fines, forfeits and penalties	138	143
Other	127	50
Total revenues	<u>17,564</u>	<u>16,921</u>
Expenditures		
General government	3,808	3,665
Building and planning	1,133	1,079
Public safety	9,407	9,529
Public works	2,106	2,164
Capital outlay	-	132
Debt service	848	967
Total expenditures	<u>17,302</u>	<u>17,536</u>
Excess (Deficit) of revenues over expenditures	262	(615)
Net transfers	<u>898</u>	<u>(1,454)</u>
Increase (Decrease) in Fund Balance	<u><u>\$ 1,160</u></u>	<u><u>\$ (2,069)</u></u>
Net change in fund balance from the Government Funds	1,160	(2,069)

For the fiscal year ended June 30, 2018, the cash and investments balance in the General Fund was \$18.6 million, an increase of \$1.1 million from the prior fiscal year.

Overall, general fund revenues for the fiscal year ended June 30, 2018 increased by \$1.2 million, or 6.3 percent, over the prior year. Individual components of this change are summarized as follows and refer to comparisons detailed in the Summary of Changes in Net Position presented on a prior page:

- Property tax revenues of the General Fund increased by \$0.38 million due to increases in assessed valuations. The increase in property tax stems from revenue generated by the various property tax categories including, but not limited to, Secured, Unsecured,

Supplemental, Property Transfer Tax, and Property Tax in lieu of VLF. Property Tax in lieu of VLF represents \$4.6 million of the \$14.1 million in overall taxes category.

- Sales tax revenues decreased \$0.01 million, to \$6.65 million, mostly due to the implementation of a new automation system by the CA Department of Tax and Fee Administration (CDTFA) which experienced delays in processing tax returns in the fourth quarter of the fiscal year.
- Other revenue increased by \$0.08 million, to \$0.13 million, from the sale of SCE Rule 20A credits, the payoff of an outstanding claim, and participation in the State of California's Local Update of Census Addresses (LUCA) program.

Changes in General Fund expenditures, by function, occurred as follows during the year ended June 30, 2018:

- General government expenditures increased by 3.9 percent to \$3.8 million from the prior year expenditures. General Government was relatively flat from year to year, with the difference stemming from the purchase of the second phase of the 800 MHz radios and equipment for Public Safety and computer hardware, which were identified as Capital Outlay in the prior fiscal year.
- Public safety expenditures decreased by \$.12 million to \$9.41 million, due to the net effect of increased contract costs associated with police services provided by the Orange County Sheriff's Department, which includes the offsetting vacancy credits applied the contract in each fiscal year; and the City's Animal Control costs were lower because there were no transition costs in Fiscal Year 2017/18. Public safety expenditures were 54 percent of total General Fund expenditures.
- Public works expenditures decreased by \$0.058 million, to \$2.10 million, due to the net effect of staff time being charged directly to various capital improvement projects in the CIP fund; as well as, Public Works administration experienced higher costs in the areas of NPDES and traffic engineering. There was also a slight decrease in Street Maintenance due to lower costs associated with the overall street maintenance contract.
- Building and planning expenditures increased by \$0.05 million, to \$1.13 million, reflecting higher professional services costs within the building department due to an increase in overall building activity; however, this increase was more than offset by higher building permit fee revenues.
- Debt Service expenditures decreased to \$.85 million due to Mitigation payment made in the current year.

Other Major Funds Highlights: Capital Projects Fund

The Capital Projects Fund accounts for street, bridge, traffic signal and other circulation related capital projects funded by grants, fees and interest revenue. The actual fund balance increased by \$0.19 million. This increase stems from the timing of grant revenues received by the City.

General Fund Budgetary Highlights

Differences between the General Fund expenditures/transfers out and the final amended budget were \$.71 million and can be briefly summarized as follows:

- \$0.23 million in decreases allocated to public works activities.
- \$0.16 million in decreases for public safety activities.

- \$0.25 million in decreases for transfers to other funds.

These overall decreases can be attributed to deferred capital projects, and conservative spending maintained throughout the fiscal year.

The original general fund budget was amended to increase general fund expenditures by \$0.066 million. This increase was a budget amendment to provide additional funding for additional funding for legal services.

Capital Asset and Debt Administration

Capital Assets

The City's net capital assets for its governmental activities, as of June 30, 2018, amounts to \$115.79 million. The net capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's net capital assets for the current fiscal year was 1.18 percent.

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

	Balance		Balance	
	June 30, 2017	Increases	Decreases	June 30, 2018
Governmental Activities:				
Total capital assets not being depreciated	\$ 97,702	\$ 588	\$ 570	\$ 97,720
Total capital assets being depreciated	84,665	732	-	85,397
Total accumulated depreciation	<u>65,197</u>	<u>2,127</u>	<u>-</u>	<u>67,324</u>
Total capital assets, being depreciated, net	<u>19,468</u>	<u>(1,395)</u>	<u>-</u>	<u>18,073</u>
Governmental activities capital assets, net	<u>\$ 117,170</u>	<u>\$ (807)</u>	<u>\$ 570</u>	<u>\$ 115,793</u>

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

- Additions to construction in progress were \$.59 million which included the design work for projects to be completed in future years for various street, traffic, and bridge improvements. The additions are mostly made up of the completion of sidewalk and landscape improvements, ADA curb ramp installation, the City Dog Park, traffic control devices, as well as, the on-going SMP Bridge Hinge Repair project and the Bell Tower Recreational Community Center Youth Lounge Courtyard renovation project.

- Infrastructure additions for the year totaled \$0.43 million related to the completion of electronic traffic control devices, ADA curb ramp installations, as well as, sidewalks and landscape projects.
- Machinery and Equipment acquisitions of \$0.16 million included the completion of the audio visual equipment and new microfiche equipment.

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

The City elected to use the modified approach in reporting its pavement subsystem. Under the modified approach, infrastructure assets that are part of a network or a subsystem of a network are not required to be depreciated as long as two requirements are met. First, the government shall manage the eligible infrastructure assets using an asset management system and secondly, the government shall document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. The condition of the pavement subsystem is measured using the Rancho Santa Margarita Pavement Condition Index. The City Council accepted the findings of the Pavement Condition Assessment Update of 2018 and has 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 82.5, or good. This average PCI was maintained since the last update in 2017. 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 \$9.6 million. The remaining balance of the mitigation obligation to the County of Orange at the end of the current fiscal year was \$0.084 million.

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

	Balance			Balance			Long-Term	Due Within One Year	
	June 30, 2017	Increases	Decreases	June 30, 2018					
Mitigation Obligation	\$ 933	\$ -	\$ 849	\$ 84	\$ -	\$ 84			
Lease Revenue Refunding Bonds	10,089	-	447	9,642	\$ 9,212	430			
Compensated Absences	291	232	254	269	148	121			
Long-Term Liabilities Total	<u>\$ 11,313</u>	<u>\$ 232</u>	<u>\$ 1,550</u>	<u>\$ 9,995</u>	<u>\$ 9,360</u>	<u>\$ 635</u>			

Long-term debt-related events during the fiscal year ended June 30, 2018 included:

- Compensated absences liabilities decreased to \$0.27 million and usage by employees amounted to \$0.25 million.
- Interest accrued on the Lease Revenue Refunding Bonds, Series 2012A for the fiscal year ended June 30, 2018 totaled \$0.51 million.

Other long-term liability events during the fiscal year ended June 30, 2018 included:

- Other post-employment benefit liabilities, (OPEB) increased by \$0.03 million.
- The Net Pension Liability for Fiscal year 2017/18 had a net increase of \$0.22 million.

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

Economic Factors and Next Year's Budgets and Rates

The City of Rancho Santa Margarita's economy is clearly linked to the national and state economy. As the City matures, its local economy can experience departures from other local, state or national trends with resultant recurring revenue fluctuations. Additionally, because the City's revenues are obtained from a limited number of sources, further revenue fluctuations may occur from year to year. The City uses third party consultants and agencies to analyze and review economic forecasts and trends in developing its budget model. These consultants and agencies include the County of Orange, State Board of Equalization, HdL Companies, and various Universities that provide economic data and analysis. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation, can be obtained from the City's 2017-2018 citywide budget, available through the City Manager's Office.

Requests for Information

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

Government- Wide Financial Statements

City of Rancho Santa Margarita, California



GOVERNMENT-WIDE FINANCIAL STATEMENTS

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

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

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

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

CITY OF RANCHO SANTA MARGARITA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Cash and investments (note 2)	\$ 22,715,209
Cash and investments with fiscal agent (note 2)	114
Receivables:	
Due from other governments	2,107,646
Accrued interest	80,437
Accounts, net	235,001
Prepaid items	250
Non-depreciable capital assets (note 4)	97,719,802
Capital assets, depreciated , net (note 4)	18,073,720
Total assets	<u>140,932,179</u>
Deferred Outflows of Resources:	
Deferred amount on refunding, net of accumulated amortization	368,475
Deferred amounts on OPEB (note 7)	8,338
Deferred amounts on pension plans (note 6)	<u>1,034,994</u>
Total deferred outflows of resources	<u>1,411,807</u>
Liabilities:	
Accounts payable	1,641,640
Wages payable	62,974
Unearned revenue	44,641
Retentions payable	131,519
Deposits	435,407
Interest payable	51,072
Long-term liabilities (note 5):	
Due within one year	635,564
Due in more than one year	9,360,278
Other Post-Employment Benefits (OPEB) Liability (note 7)	422,899
Net Pension Liability (note 6)	<u>1,646,931</u>
Total liabilities	<u>14,432,925</u>
Deferred Inflows of Resources:	
Deferred amounts on pension plans (note 6)	<u>86,891</u>
Net position:	
Net investment in capital assets	106,519,877
Restricted for:	
Public safety	147,789
Public works	3,729,900
Unrestricted	<u>17,426,604</u>
Total net position	<u>\$ 127,824,170</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF RANCHO SANTA MARGARITA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

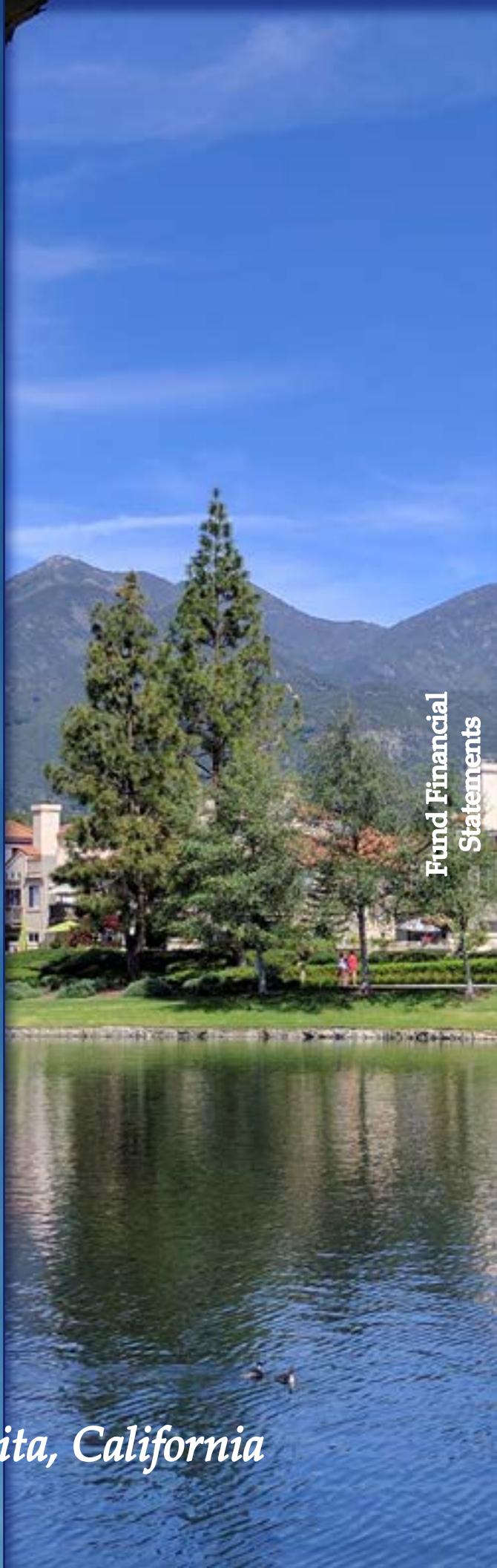
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
Governmental activities:					
General government	\$ 4,391,682	\$ 476,159	\$ 59,590	\$ -	\$ (3,855,933)
Building and planning	1,136,247	744,275	340,923	-	(51,049)
Public safety	9,513,766	138,224	139,416	-	(9,236,126)
Public works	5,978,125	42,663	2,722,920	12,927	(3,199,615)
Interest expense	308,581	-	-	-	(308,581)
Total governmental activities	<u>\$ 21,328,401</u>	<u>\$ 1,401,321</u>	<u>\$ 3,262,849</u>	<u>\$ 12,927</u>	<u>(16,651,304)</u>
General revenues:					
Taxes:					
Property taxes					7,110,720
Sales taxes					6,658,452
Real property transfer taxes					355,744
Franchise fees					1,368,975
Investment income					284,016
Motor vehicle fees					25,583
Other					<u>126,795</u>
Total general revenues					<u>15,930,285</u>
Change in net position					(721,019)
Net position at beginning of year, as restated (note 13)					<u>128,545,189</u>
Net position at end of year					<u>\$ 127,824,170</u>

See Accompanying Notes to the Basic Financial Statements.

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Fund Financial Statements

City of Rancho Santa Margarita, California



Fund Financial
Statements

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, 2018

Assets	Non-Major Governmental				Totals
	General	Capital Projects	Funds		
Cash and investments	\$ 18,590,849	\$ 549,429	\$ 3,574,931		\$ 22,715,209
Cash and investments w/fiscal agent	-	-	114		114
Receivables:					
Due from other governments	1,369,592	377,405	322,781		2,069,778
Due from other governments - deferred	7,023	30,845	-		37,868
Accrued interest	66,026	424	13,987		80,437
Accounts, net	235,001	-	-		235,001
Prepaid items	250	-	-		250
Total assets	<u>\$ 20,268,741</u>	<u>\$ 958,103</u>	<u>\$ 3,911,813</u>		<u>\$ 25,138,657</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,004,707	\$ 602,923	\$ 34,010		\$ 1,641,640
Wages payable	62,974	-	-		62,974
Unearned revenue	44,641	-	-		44,641
Retentions payable	-	131,519	-		131,519
Deposits	435,407	-	-		435,407
Total liabilities	<u>1,547,729</u>	<u>734,442</u>	<u>34,010</u>		<u>2,316,181</u>
Deferred Inflows of Resources:					
Unavailable revenue from grants	\$ 7,023	\$ 30,845	\$ -		\$ 37,868
Total deferred inflows of resources	<u>7,023</u>	<u>30,845</u>	<u>-</u>		<u>37,868</u>
Fund balance:					
Nonspendable: Prepaid items	250	-	-		250
Restricted for debt service	-	-	114		114
Restricted for public safety	-	-	147,789		147,789
Restricted for public works	-	-	3,729,900		3,729,900
Committed for General Plan Update	104,449	-	-		104,449
Committed for Habitat Restoration	300,050	-	-		300,050
Committed for self insurance	30,000	-	-		30,000
Assigned:					
Council projects/equipment/facilities	7,769,118	-	-		7,769,118
Capital projects working capital	-	192,816	-		192,816
Unassigned	10,510,122	-	-		10,510,122
Total fund balance	<u>18,713,989</u>	<u>192,816</u>	<u>3,877,803</u>		<u>22,784,608</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 20,268,741</u>	<u>\$ 958,103</u>	<u>\$ 3,911,813</u>		<u>\$ 25,138,657</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF RANCHO SANTA MARGARITA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

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

Fund balances of governmental funds \$ 22,784,608

Capital assets net of depreciation have not been included as financial resources in governmental funds: 115,793,522

Long term debt, accrued interest payable, compensated absences, and OPEB liability have not been included in the governmental funds:

Mitigation Obligation (84,344)

Lease Revenue Refunding Bonds Payable (9,220,000)

Bond Premium (422,120)

Deferred Amount on Bond Refunding, net 368,475

Accrued Interest Payable (51,072)

Compensated Absences Payable (269,378)

Deferred Amount on Other Post Employment Benefits (OPEB) 8,338

Other Post Employment Benefits (OPEB) Liability (422,899)

Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.

Deferred outflows of resources	\$ 1,034,994
Deferred inflows of resources	(86,891)
Pension Liability	<u>(1,646,931)</u>
	(698,828)

Certain receivables will be collected after year-end, but are not available to pay for current-period expenditures, and therefore are offset by unavailable revenue in the governmental funds. 37,868

Net position of governmental activities \$ 127,824,170

See Accompanying Notes to the Basic Financial Statements.

CITY OF RANCHO SANTA MARGARITA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Non-Major Governmental Funds	Totals
Revenues:				
Taxes	\$ 14,124,916	\$ -	\$ -	\$ 14,124,916
Fees and permits	1,966,059	-	190,436	2,156,495
Intergovernmental	291,120	781,733	2,224,194	3,297,047
Charges for services	691,596	-	-	691,596
Investment income	225,463	1,681	56,872	284,016
Fines, forfeits and penalties	138,224	-	-	138,224
Other	126,795	-	-	126,795
 Total revenues	 17,564,173	 783,414	 2,471,502	 20,819,089
 Expenditures:				
Current:				
General government	3,807,757	-	157,734	3,965,491
Building and planning	1,132,872	-	-	1,132,872
Public safety	9,407,031	-	106,735	9,513,766
Public works	2,105,559	2,393,558	266,252	4,765,369
Debt Service:				
Principal retirement	848,655	-	420,000	1,268,655
Interest	-	-	314,838	314,838
 Total expenditures	 17,301,874	 2,393,558	 1,265,559	 20,960,991
 Excess (deficiency) of revenues over (under) expenditures	 262,299	 (1,610,144)	 1,205,943	 (141,902)
 Other financing sources (uses):				
Transfers in (note 3)	2,200,352	1,826,559	758,378	4,785,289
Transfers out (note 3)	(1,302,847)	(27,220)	(3,455,222)	(4,785,289)
 Total financing sources (uses)	 897,505	 1,799,339	 (2,696,844)	 -
 Net change in fund balances	 1,159,804	 189,195	 (1,490,901)	 (141,902)
 Fund balances, beginning of year	 17,554,185	 3,621	 5,368,704	 22,926,510
 Fund balances, end of year	 \$ 18,713,989	 \$ 192,816	 \$ 3,877,803	 \$ 22,784,608

See Accompanying Notes to the Basic Financial Statements.

CITY OF RANCHO SANTA MARGARITA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total governmental funds	\$ (141,902)
--	--------------

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	750,143
Depreciation of Capital Assets	(2,127,212)

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

Retired Principal on long term debt (Mitigation Obligation)	848,655
---	---------

Retired Principal on long term debt (Lease Revenue Refunding Bonds)	420,000
---	---------

Interest Payable on long term debt (Lease Revenue Refunding Bonds)	-
--	---

Amortization of deferred loss on bond refunding	(23,773)
---	----------

Amortization of premium on Refunding Bonds Issued	27,233
---	--------

Accrued Interest Payable on long term debt (Lease Revenue Refunding Bonds)	2,797
--	-------

Compensated Absences	21,499
----------------------	--------

Change in OPEB Liability and related deferred outflows and inflows of resources	(37,244)
---	----------

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.

	(249,508)
--	-----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Conversely, collection of these revenues are reported in the governmental funds when received, but not in the Statement of Activities since they have been recognized previously.

	(211,707)
--	-----------

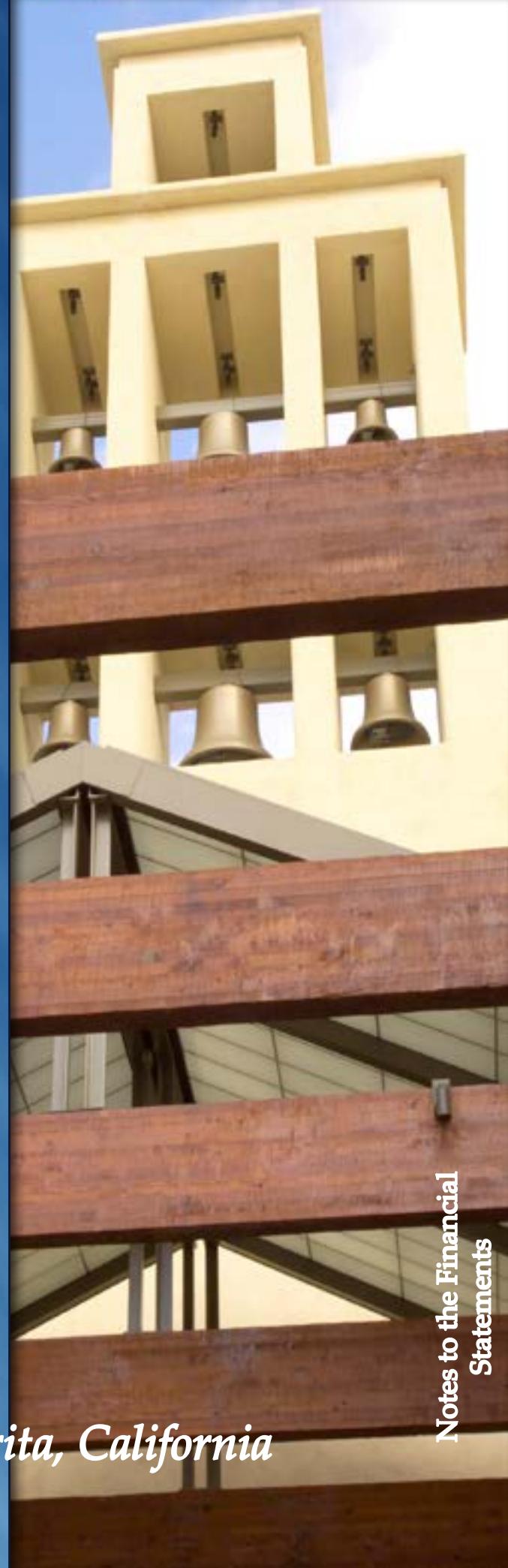
Change in net position of governmental activities	<hr style="border: 1px solid black; margin-bottom: 5px;"/> <hr style="border: 1px solid black;"/>
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See Accompanying Notes to the Basic Financial Statements.

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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, 2018**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

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

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

Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting in this category are deferred actuarial amounts related to pension.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

the purposes for which they are to be spent and the means by which spending activities are controlled.

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

Governmental Funds

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

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

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

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

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

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

(b) Major Funds

The major funds are described as follows:

General Fund

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

Capital Projects Fund

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

(c) Cash and Investments

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

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

(d) Capital Assets

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

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

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

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

(e) Property Taxes

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

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

(f) Encumbrances

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

(g) Interfund Transactions

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

(h) Estimates

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

(i) Fund Equity

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

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

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds,

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

for specific purposes. Such delegation of authority has been granted to the City Manager by the City Council through resolution 13-06-26-01.

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

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

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Other Postemployment Benefits (OPEB) - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and investments	\$22,715,209
Cash and investments with fiscal agent	<u>114</u>
 Total Cash and Investments	 <u>\$22,715,323</u>

Cash and investments at June 30, 2018 consisted of the following:

Cash and Investments held by City:

Deposits in banks or on hand	\$ 8,067,910
Local Agency Investment Fund (LAIF)	<u>14,647,299</u>
 Total Cash and Investments held by City	 <u>\$22,715,209</u>

Cash and Investments held by Fiscal Agent:

Money Market Mutual Fund	\$ <u>114</u>
 Total Cash and Investments	 <u>\$22,715,323</u>

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

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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

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

Investments Authorized by Debt Agreements

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

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Total Amount	Remaining Maturity (in Months)			
		0-12 Months	12-23 Months	24-35 Months	Greater than 36 Months
Local Agency Investment Fund (LAIF)	\$ 14,647,299	\$ 14,647,299	\$ -	\$ -	\$ -
Held by bond fiscal agent:					
Money Market Mutual Fund	114	114	-	-	-
Total	\$ 14,647,413	\$ 14,647,413	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, as reported by Standard and Poor's, as of year-end for each investment type.

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment Type	Total Amount	Minimum		
		Legal Rating	Rating as of Fiscal Year End	AAA
Local Agency Investment Fund (LAIF)	\$ 14,647,299	N/A	\$ -	\$ 14,647,299
Held by bond fiscal agent:				
Money Market Mutual Fund	114	AAA	114	-
Total	<u><u>\$ 14,647,413</u></u>		<u><u>\$ 114</u></u>	<u><u>\$ 14,647,299</u></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 *investment securities* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments securities, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool that must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a market value of at least 150% of the secured public deposits, and letters of credit drawn on the Federal Home Loan Bank may have a minimum market value of 105% of the secured public deposits. At June 30, 2018, the City deposits (bank balances) were either insured by the Federal Deposit Insurance Corporation or collateralized in accordance with the California Government Code.

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investment in State Investment Pool

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

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The City's investment in LAIF and money market mutual funds are not subject to the fair value hierarchy.

NOTE 3 – TRANSFERS IN AND OUT

Transfers in and out for the year ended June 30, 2018 are as follows:

Transfers To:	Transfers From:			
	General Fund	Capital Projects Fund	Non-major Funds	Total
General Fund	\$ -	\$ -	\$ 2,200,352	\$ 2,200,352
Capital Projects	571,689	-	1,254,870	1,826,559
Non-major Funds	731,158	27,220	-	758,378
Total Transfers	<u>\$ 1,302,847</u>	<u>\$ 27,220</u>	<u>\$ 3,455,222</u>	<u>\$ 4,785,289</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 3 – TRANSFERS IN AND OUT (Continued)

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

- The transfer of \$2,200,352 from the Non-major Funds to the General Fund was to fund street maintenance costs, traffic engineering services of \$673,517 which are both recorded in the General Fund. As well as, the transfer of \$1,526,835 from the Prepaid Base Rental escrow account recorded in the Debt Service Fund to the General Fund.
- The transfer of \$1,254,870 from the Non-major Funds to the Capital Projects Fund was primarily to fund the various slurry seal and overlay road projects (\$244,809), various street rehabilitation projects (\$685,212) and other street and sidewalk repairs and maintenance throughout the city (\$20,450). The transfer also includes traffic signal and equipment upgrades and traffic feedback signs of (\$53,429), the dog park improvement project for (\$97,500), the BTRCC Youth Lounge Courtyard Improvement project (\$93,920), as well as, the median hardscape renovation, Auto Center Drive signage and other project costs for (\$60,361).
- The transfer of \$731,158 from the General Fund to the Debt Service Fund was to pay principal and interest on the Lease Revenue Refunding Bond for the RSM Public Financing Authority.
- The transfer of \$571,689 from the General Fund to the Capital Projects Fund was to fund habitat restoration and assessment (\$211,918), City Hall IT/Server room fire suppression system (\$33,487), the City Hall landscaping renovation (\$127,726), Bell Tower Regional Community Center interior painting (\$24,030), other improvements to City Hall and the Bell Tower (\$31,528), and median hardscape renovations (\$143,000).

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 6,683,500	\$ -	\$ -	\$ 6,683,500
Land - right of way	43,570,119	- -	- -	43,570,119
Construction in progress	681,837	588,076	570,456	699,457
Infrastructure - pavement	<u>46,766,726</u>	<u>- -</u>	<u>- -</u>	<u>46,766,726</u>
Total capital assets not being depreciated	<u>97,702,182</u>	<u>588,076</u>	<u>570,456</u>	<u>97,719,802</u>
Capital assets being depreciated:				
Machinery & equipment	984,609	162,068	- -	1,146,677
Buildings	18,289,717	37,241	- -	18,326,958
Parks	1,073,327	97,500	- -	1,170,827
Infrastructure - all others	<u>64,318,006</u>	<u>435,714</u>	<u>- -</u>	<u>64,753,720</u>
Total capital assets being depreciated	<u>84,665,659</u>	<u>732,523</u>	<u>- -</u>	<u>85,398,182</u>
Less accumulated depreciation:				
Machinery & equipment	688,406	165,126	- -	853,532
Buildings	7,257,061	610,899	- -	7,867,960
Parks	440,328	46,833	- -	487,161
Infrastructure	<u>56,811,455</u>	<u>1,304,354</u>	<u>- -</u>	<u>58,115,809</u>
Total accum. Depreciation:	<u>65,197,250</u>	<u>2,127,212</u>	<u>- -</u>	<u>67,324,462</u>
Total capital assets being depreciated, net	<u>19,468,409</u>	<u>(1,394,689)</u>	<u>- -</u>	<u>18,073,720</u>
Total capital assets, net	<u>\$117,170,591</u>	<u>\$ (806,613)</u>	<u>\$ 570,456</u>	<u>\$115,793,522</u>
Depreciation expense was charged in the following functions in the Statement of Activities:				
	General government	\$ 165,126		
	Public works	<u>1,962,086</u>		
	Total	<u>\$2,127,212</u>		

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 4 – CAPITAL ASSETS, (Continued)

Significant Commitments

The City had various active, on-going and un-completed projects at June 30, 2018. At year-end, the City's encumbrances with contractors or consultants for work performed before June 30, 2018, but not yet paid were as follows:

<u>Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Encumbered in General Fund:		
General Plan Update	\$ 224,826	\$ 104,449
Open Space Habitat Restoration	2,420,161	300,050
Total encumbered in General Fund	<u>\$2,644,987</u>	<u>\$ 404,499</u>
Encumbered in Gas Tax Fund:		
SMP Bridge	\$ 518,805	\$ 69,737
Open Space Habitat Restoration	95,946	54,054
SMP/Antonio Bridge	4,560	11,510
Transit Planning Feasibility Study	30,833	18,564
Total encumbered in Gas Tax Fund	<u>\$ 650,144</u>	<u>\$ 153,865</u>

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Mitigation Obligation	\$ 932,999	\$ -	\$ 848,655	\$ 84,344	\$ 84,344
Lease Revenue Refunding Bonds					
City Hall & Regional					
Community Center	9,640,000	-	420,000	9,220,000	430,000
Bond premium	449,353	-	27,233	422,120	-
Compensated absences	<u>290,877</u>	<u>232,735</u>	<u>254,234</u>	<u>269,378</u>	<u>121,220</u>
Total Governmental Long-Term Liabilities					
	<u>\$ 11,313,229</u>	<u>\$ 232,735</u>	<u>\$ 1,550,122</u>	<u>\$ 9,995,842</u>	<u>\$ 635,564</u>

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

Mitigation Obligation

The City has a mitigation commitment with the County of Orange to make minimum payments each year 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. The total commitment of \$12 million was negotiated for payment in two distinct methodologies. The first methodology comprised a series of annual \$1.1 million payments for 6 years with a \$600,000 final payment, for a total of \$7.2 million. This portion of the commitment payments was completed in Fiscal Year 2007. The remaining annual payments associated with the commitment are dependent upon future receipt of sales tax revenues by the City in a respective fiscal year prorated in excess of a indexed base amount for that year. Those payments have not occurred since 2009 due to sales tax revenue declines, but are open ended until the remaining balance of \$1,900,535 is repaid. In the Fiscal Year 2014-15 State of California Budget, the Governor's budget plan included several one-time spending items, including a \$1.6 billion one-time supplemental payment to retire the state's outstanding economic recovery bonds (ERB's).

On August 5, 2015 the State's Finance Director sent the State Treasurer and the Board of Equalization Executive Director the official letter noting that escrow accounts had been established to "fund all future principal interest and administrative costs until the final maturity of the Bonds in 2019". The letter also served as the notification to end the revenue exchange period as of December 31, 2015, and thereby signifying the end of the Triple Flip.

The supplemental payment has resulted in an early retirement of the ERB's generating the expiration of the "Triple-Flip" in FY 2015-16, about one year earlier than otherwise would be the case. The "Triple-Flip" payment also known as sales tax in lieu payment was paid by the County of Orange in the form of ad valorem property tax revenues which was not included in prior sales tax mitigation calculations. The payment was tracked by the City separately from the sales tax revenue payments sent from the State Board of Equalization (SBOE). Upon payment of the ERB's, the sales tax in lieu payment will end and the City will receive 100% of their sales tax revenue payment from the SBOE. Due to this change, the actual sales tax revenue used in the mitigation calculation will increase greatly initiating a mitigation payment due to the County of Orange earlier than previously projected and higher than estimated. Based on the early retirement of the ERB's and revised estimated sales tax revenue growth projections. Payments resumed June 30, 2017 based on 2016 sales tax revenue and is projected to be paid in full in FY 2018/19.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

Mitigation Obligation, (Continued)

The estimated sales tax revenue projections and mitigation payments are as follows:

<u>Fiscal Year</u>	<u>Estimated Revenue</u>	<u>Estimated Mitigation Payment</u>
2019	\$ 6,869,136	\$ 84,344
Total of estimated payments		<u><u>\$ 84,344</u></u>

*Mitigation payment based on FY 2017/18 activity and payment is made in FY 2018/19

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

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

The bonds are secured by base rental payments to be made by the Public Financing Authority pursuant to the lease agreement. Principal is payable annually on each November 1, commencing on November 1, 2013. Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2013. The outstanding balance at June 30, 2018 is \$9,220,000.

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 5 – LONG-TERM LIABILITIES, (Continued)

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

The annual requirements to amortize the outstanding Lease Revenue Refunding Bonds, Series 2012A as of June 30, 2018, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 430,000	\$ 297,837	\$ 727,837
2020	455,000	280,137	735,137
2021	470,000	261,638	731,638
2022	490,000	242,437	732,437
2023	505,000	222,537	727,537
2024 -2028	2,840,000	804,256	3,644,256
2029-2033	3,310,000	354,475	3,664,475
2034	<u>720,000</u>	<u>10,800</u>	<u>730,800</u>
Totals	<u>\$ 9,220,000</u>	<u>\$ 2,474,117</u>	<u>\$11,694,117</u>

Compensated Absences

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

NOTE 6 – PENSION PLAN

A. General Information about the Pension Plans:

Plan Descriptions

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 6 – PENSION PLAN, (Continued)

Benefits Provided

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

The Plan' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to February 27, 2011	On or After February 27, 2011	On or After January 1, 2013
Hire date	February 27, 2011	February 27, 2011	January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.00% to 2.50%
Required employee contribution rates	8% (a)	7%	6.5%
Required employer contribution rates:			
Normal cost rate	10.665%	8.049%	7.045% (b)
Payment of unfunded liability	\$108,475	\$311	\$200

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

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

Contributions

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 6 – PENSION PLAN (continued)

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

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the PERF C risk pool as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	<u>\$ 1,646,931</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability of the PERF C risk pool. The net pension liability of each Plan is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.04118%
Proportion - June 30, 2017	0.04178%
Change - Increase (Decrease)	-0.00060%

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

NOTE 6 – PENSION PLAN (continued)

For the year ended June 30, 2018, the City recognized pension expense of \$550,508. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 286,181	\$ 21,822
Differences between actual and expected experience	2,306	33,045
Differences between projected and actual investment earnings	64,722	
Differences between employer's contributions and proportionate share of contributions	143,696	
Change in employer's proportion	237,091	32,024
Pension contributions made subsequent to measurement date	300,998	
Total	\$ 1,034,994	\$ 86,891

\$300,998 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 272,030
2020	250,871
2021	162,632
2022	(38,427)
2023	0
Thereafter	0

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 6 – PENSION PLAN (continued)

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 6 – PENSION PLAN (continued)

Change of Assumptions

During the measurement period June 30, 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. Deferred inflows and resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 6 – PENSION PLAN (continued)

Discount Rate (continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (a)	Real Returns Years 11+ (b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40)%	(.90)%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period
 (b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 2,590,267
Current Discount Rate	7.15%
Net Pension Liability	\$ 1,646,931
1% Increase	8.15%
Net Pension Liability	\$ 865,644

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 6 – PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

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

Subsequent Events

In February 2018, the CalPERS Board approved the reduction of the amortization period from 30 years to 20 years.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on pension plan investments follow a 5-year straight-line amortization. All other amounts follow a straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

Employees Covered

Employees are eligible to receive the minimum medical premium subsidy benefit amount provided by the plan if they: 1) Satisfy eligibility requirements for vesting of benefits required by CalPERS; 2) Retire from employment with the City; 3) Elect to continue medical insurance coverage through the CalPERS plan; and 4) Pay all additional premium amounts required for the coverage option selected by them to continue in the group medical insurance plan upon retirement from the City, but must pay all premiums required to retain coverage. To receive the City's medical premium subsidy benefit, retirees must also be vested members of the CalPERS retirement system; i.e., retire on or after age 50 with 5 years of CalPERS retirement membership contributions. If the retiree discontinues coverage in the CalPERS health insurance plan, the City's obligation to pay a premium subsidy benefit ends. Retirees may continue in the CalPERS plan for the remainder of their lives. The City is not obligated under the group medical insurance plan to pay premiums for any retirees or provide post-retirement medical or health insurance benefits for retirees, or their spouses, partners, or relatives; other than the required minimum benefit payment. Eligibility for the City plan consisted of the following at June 30, 2017 (actuarial valuation date):

Eligible retirees from City service	5
Active employees, both enrolled and un-enrolled in the City's CalPERS health insurance plan	<u>23</u>
Total	<u>28</u>

Contributions

The City pays only the minimum required monthly premium subsidy benefit amount for retired City employees; an amount that can be amended by City Council action. The required premium is made (paid) monthly directly to CalPERS at the current-fiscal-year rate set by CalPERS, which is adjusted annually based on the medical cost component of the consumer price index. For Fiscal Year 2017-18, the City paid \$128 or \$133 per month as the full amount required by the plan for each retiree from City service, for a total of \$7,830. The OPEB obligation has typically been paid from the City's General Fund.

OPEB Liability

The City's OPEB liability was measured as of June 30, 2017 and the total OPEB liability was calculated as the actuarial present value of projected benefit payments (APVPBP) minus the present value of future service costs. The City did not rerun prior valuations under GASB 75; therefore, in order to determine the beginning net OPEB liability (NOL), the actuarial used a "roll-back" technique. The total OPEB liability was based on the following actuarial methods and assumptions:

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

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

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.50%, per year net of expenses. This is based on the Bond Buyer 20 Bond Index.
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	Based on recent premium experience assuming 4% increase due to market trends then reduced to a rate reflecting medical price inflation

Notes:

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5 percent. When benefits are projected to not be paid by plan assets, a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher must be used.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

Changes in the OPEB Liability

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

	<u>Increase (Decrease)</u>
	Total
	OPEB
	Liability
	(a)
Roll back balance at June 30, 2016	<u>\$ 385,334</u>
Changes recognized for the measurement period:	
Service cost	31,696
Interest	13,886
Changes of assumptions	-
Contributions - employer	-
Net investment income	-
Benefit payments	(8,017)
Administrative expense	-
Net Changes during 2016-17	<u>37,565</u>
Balance at June 30, 2017	
<i>(Measurement Date June 30, 2017)</i>	<u>\$ 422,899</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
OPEB Liability	\$499,815	\$422,899	\$361,573

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

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

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

The following presents the OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(3.0%)	(4.0%)	(5.0%)
OPEB Liability	\$363,074	\$422,899	\$495,717

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$45,582. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 8,338	-
Total	\$ 8,338	-

The \$8,338 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2019.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 8 – RISK MANAGEMENT

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

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

The City purchases general liability insurance from Public Agency Risk Sharing Authority of California (PARSAC). There is a self-insured retention of \$10,000 per claim. PARSAC provides limits to \$1,000,000. Excess coverage is provided through a combination of pooling and reinsurance for total excess coverage limits of \$34 million. The total annual contribution for this coverage was \$104,217 for the fiscal year ended June 30, 2018.

Workers' Compensation and Employer's Liability

There is a \$10,000 self-insured retention (SIR) and the policy provides statutory limits. The annual contribution for this coverage was \$71,500 for the fiscal year ending June 30, 2018.

Property Insurance

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

Crime Bonds

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

Insurance premium payments to PARSAC are made from the City's General Fund. There were no significant claims or claims payments during the fiscal year, and there were no significant outstanding claims at June 30, 2018. Furthermore, there have been no claims settlements or judgments that have exceeded insurance coverage since the City's inception on January 1, 2000.

NOTE 9 – CONTINGENT LIABILITIES

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 9 – CONTINGENT LIABILITIES (continued)

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

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

NOTE 10 – GENERAL FUND BALANCE CLASSIFICATIONS

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

CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

NOTE 10 – GENERAL FUND BALANCE CLASSIFICATIONS (continued)

The City's fund balance classifications at June 30, 2018, are presented below and followed by explanations as to the nature and purpose of assigned and unassigned classifications.

General Fund:

Unspendable: Prepaid items	\$ 250
Committed for General Plan Update	104,449
Committed for Habitat Restoration	300,050
Committed for self insurance	30,000

Assigned:

Council Strategic	\$ 2,166,057
Technology	789,603
Facilities	3,208,895
Vehicles	271,567
Infrastructure	<u>1,332,996</u>
Total Assigned: Council projects/equipment/facilities	7,769,118
Unassigned:	
Emergency Policy	<u>10,510,122</u>
Total General Fund Balance	<u><u>\$ 18,713,989</u></u>

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

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

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

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

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

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 10 – GENERAL FUND BALANCE CLASSIFICATIONS (continued)

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

NOTE 11 – OPERATING LEASE

The City entered into a non-cancelable operating lease agreement with Toshiba Financial Services in August 2016 for copy equipment at City Hall and BTRCC at a cost of \$28,296. The monthly cost of the 3-year lease agreement is \$786 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>
2019	9,432
2020	786
	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>
	\$ 10,218

NOTE 12 – LITIGATION SETTLEMENT

A Corrected Final Judgment was entered June 23, 2010 in San Diego County Superior Court and recorded in Orange County, California on August 18, 2010 relative to on-going litigation of the City. On January 28, 2009, the City Council approved a Settlement Agreement with the County of Orange, the Endangered Habitats League, and Rancho Mission Viejo, ending litigation initiated in 2005 by the City over the ownership of 502 acres of land in and around the City. In mid-2002, the City became aware that not all of the properties that should have been transferred from the County upon the City's incorporation had actually been transferred. While there was agreement as to many of the property interests, the City and County differed in their views as to who should have ownership of 502 acres that had originally been dedicated to the County, prior to the City's incorporation, for open space, recreation and transportation purposes.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 12 – LITIGATION SETTLEMENT (continued)

When the parties were not able to resolve their differences, the City filed a lawsuit in 2005, claiming ownership to the entire 502-acre parcel. While the lawsuit was moving forward, the County, the Fish and Wildlife Service, the Santa Margarita Water District and Rancho Mission Viejo, LLC entered into an Implementation Agreement regarding the Southern Sub-region HCP Habitat Reserve. The effect of this was to designate specific natural habitat that would be protected in perpetuity and there would be certainty as to the Habitat Reserve.

After more than a year of negotiations, the parties negotiated a settlement agreement which, in addition to finalizing the transfer of property easements that belonged to the City upon incorporation, such as open space and public access easements, included the following key terms. The specific transactions and related items were completed at the times noted and with particular actions as noted.

The City received title to the 92-acre Chiquita Ridge open space parcel from the County of Orange. The City valued that land at \$50,000 per acre, for a total of \$4,600,000, based on recent local and regional comparable sales and appraisals. The 92-acres are not encumbered by the Habitat Reserve designation. While there are no plans for development, the agreement provides that at such time that there is development; there shall be a minimum 23-acre active sports park that will benefit the residents of the City of Rancho Santa Margarita as well as the nearby residents of the unincorporated County area. Development of the 92-acre parcel is limited to 55 acres and any of the remaining 37 acres which are disturbed during construction must be restored to natural habitat conditions.

In addition to any portion of the 37 acres which are restored, the City shall enhance and restore 80 acres of habitat to increase the environmental value of the habitat. The 80 acres will be in or close to the City and will provide a benefit to the City's residents. The County received title to the remaining 410 acres that were in dispute thereby protecting that property as natural habitat and ensuring its enrollment in the Habitat Reserve. The City is required by the Settlement Agreement to prepare a restoration plan by the end of the third year after the Chiquita Ridge parcel conveyance, and begin restoration efforts by the end of the fourth year after conveyance. The Restoration Plan including the adoption of a negative declaration was approved by City Council on December 11, 2013. In FY 2012/13 and FY 2013/14, the City incurred costs of \$104,561 and \$168,357 respectively toward the development of the Restoration Plan and the environmental document of the Habitat Restoration Project. On May 28, 2014, City Council approved the professional Habitat Restoration and Enhancement Contractor services agreement with Habitat Restoration Sciences, Inc. with a not to exceed amount of \$2,720,211. Other project related costs have also been approved bringing the total estimated project cost to \$3,157,232. Estimated project costs have been distributed over seven years with the greatest fiscal impact in FY 2014/15 with a cost to the City of \$1,780,899 which included the irrigation installation for the Project as well as the removal of invasive species, and the purchasing and planting of native species. The following five years of the contract are for planned maintenance on the project.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 12 – LITIGATION SETTLEMENT (continued)

The financial statements include maintenance cost of \$210,955 for FY 2017/18 and an encumbrance of \$300,050 for the Habitat Restoration Sciences, Inc. contract for continued maintenance of the Project. Expenditures will be recorded in the City's financial statements as costs are incurred for required maintenance efforts in future fiscal years.

In a related transaction required in the agreement, the City transferred to the County the 15.1 acre "Wynne Parcel" it purchased for \$2,566,351 in Fiscal Year 2009, following approval of the Settlement Agreement. Pursuant to the Settlement Agreement, the County is required to enroll the parcel in the Habitat Preserve. This parcel is a critical link in the regional wildlife corridor and contains valuable vernal pools and protected species including the fairy shrimp. The County is also required to enroll approximately 100 acres of Dove Canyon Open Space into the Habitat Reserve.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

The accompanying financial statements reflect the implementation of GASB Statement No. 75 which requires the reporting of the OPEB liability of the City of Rancho Santa Margarita's OPEB plan in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. Prior year financial information was not restated because the necessary actuarial information was not available. The beginning net position is restated as follows:

Beginning Net Position	\$ 128,581,372
GASB Statement No. 75	<u>(36,183)</u>
Beginning Net Position (as restated)	<u><u>\$ 128,545,189</u></u>

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Required Supplementary Information

City of Rancho Santa Margarita, California



Required Supplementary
Information

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Last Ten Fiscal Years*

Fiscal year ended June 30	2018	2017	2016	2015
Measurement date ended June 30	2017	2016	2015	2014
Plan's proportion of the net pension liability	0.01661%	0.01653%	0.01721%	0.01626%
Plan's proportionate share of the net pension liability	\$ 1,646,931	\$ 1,430,589	\$ 1,180,978	\$ 1,011,781
Plan's covered payroll	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340	\$ 1,680,986
Plan's proportionate share of the net pension liability as a percentage of covered payroll	72.10%	66.72%	66.19%	60.19%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	73.31%	74.06%	78.40%	78.25%
Plan's proportionate share of aggregate employer contributions	\$ 197,179	\$ 168,530	\$ 142,383	\$ 98,432

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Last Ten Fiscal Years*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 300,998	\$ 296,102	\$ 269,353	\$ 258,665
Contributions in relation to the actuarially determined contributions	<u>300,998</u>	<u>296,102</u>	<u>269,353</u>	<u>258,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,226,095	\$ 2,284,352	\$ 2,144,126	\$ 1,784,340
Contributions as a percentage of covered payroll	13.52%	12.96%	12.56%	14.50%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age **
Amortization method	Level percentage of payroll, closed **
Asset valuation method	Market Value***
Inflation	2.75% **
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.15%, net of pension plan investment expense, including inflation **
Retirement age	50 years (Tier I 2.5% @ 55, Tier II 2% @ 60) and 52 years (PEPRA 2% @ 62) **
Mortality	The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.**

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

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

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

CITY OF RANCHO SANTA MARGARITA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30, 2018

Measurement Period	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 31,696
Interest on the total OPEB liability	13,886
Actual and expected experience difference	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments	<u>(8,017)</u>
Net change in total OPEB liability	37,565
Total OPEB liability - beginning	<u>385,334</u>
Total OPEB liability - ending (a)	<u>\$ 422,899</u>
 Covered-employee payroll	 \$ 2,226,095
 Net OPEB liability as a percentage of covered-employee payroll	 19.00%

Notes to Schedule:

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

**CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

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

CITY OF RANCHO SANTA MARGARITA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 13,864,984	\$ 13,864,984	\$ 14,124,916	\$ 259,932
Fees and permits	1,739,195	1,739,195	1,966,059	226,864
Intergovernmental	313,069	313,069	291,120	(21,949)
Charges for service	615,044	615,044	691,596	76,552
Investment income	77,338	77,338	225,463	148,125
Fines, forfeits and penalties	155,149	155,149	138,224	(16,925)
Other	129,501	129,501	126,795	(2,706)
 Total revenues	 16,894,280	 16,894,280	 17,564,173	 669,893
 Expenditures:				
General government	3,751,555	3,818,055	3,807,757	10,298
Building and planning	1,231,521	1,231,521	1,132,872	98,649
Public safety	9,564,105	9,564,105	9,407,031	157,074
Public works	2,330,829	2,330,829	2,105,559	225,270
Debt Service:				
Principal Retirement	814,114	814,114	848,655	(34,541)
 Total expenditures	 17,692,124	 17,758,624	 17,301,874	 456,750
 Other financing sources (uses):				
Transfers in (note 3)	740,982	740,982	2,200,352	1,459,370
Transfers out (note 3)	(1,553,838)	(1,553,838)	(1,302,847)	250,991
Total financing sources (uses)	(812,856)	(812,856)	897,505	1,710,361
 Net change in fund balances	 (1,610,700)	 (1,677,200)	 1,159,804	 2,837,004
Fund balances, beginning of year	17,554,185	17,554,185	17,554,185	-
Fund balances, end of year	<u>\$ 15,943,485</u>	<u>\$ 15,876,985</u>	<u>\$ 18,713,989</u>	<u>\$ 2,837,004</u>

CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 2017 and has previously 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, 2018 (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>
2018: Pavement subsystem	82.5	70
2017: Pavement subsystem	78.6	70
2016: Pavement subsystem	81.6	70
2014: Pavement subsystem	81.5	70
2013: Pavement subsystem	78.5	70
2012: Pavement subsystem	79.2	70
2010: Pavement subsystem	78.5	70
2008: Pavement subsystem	76.5	70
2007: Pavement subsystem	73.9	70
2004: 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.

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

Based on the pavement condition assessment update performed in FY 2018, as of June 30, 2018, the streets had an average deficiency rating or Pavement Condition Index (PCI) of 82.5, or good.

CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)

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

The following compares the actual street maintenance cost to the budgeted street maintenance costs since June 30, 2003, which was the first year of implementation of the modified approach for street pavement. Appropriations totaling \$2,084,634 have been budgeted for the fiscal year ending June 30, 2019, for maintenance/rehabilitation to maintain PCI standard.

	Street Maintenance	Street Maintenance
	Cost	Budget
June 2018	\$ 2,575,757	\$ 3,080,790
June 2017	\$ 2,205,894	\$ 3,603,251
June 2016	\$ 1,421,581	\$ 3,194,079
June 2015	\$ 2,089,256	\$ 2,484,861
June 2014	\$ 2,145,969	\$ 3,011,593
June 2013	\$ 2,067,232	\$ 2,608,357
June 2012	\$ 1,743,138	\$ 2,096,757
June 2011	\$ 2,857,557	\$ 3,171,799
June 2010	\$ 1,210,581	\$ 3,056,000
June 2009	\$ 1,042,169	\$ 1,808,700
June 2008	\$ 2,132,675	\$ 3,277,392
June 2007	\$ 3,812,219	\$ 5,091,446
June 2006	\$ 1,818,402	\$ 2,246,154
June 2005	\$ 919,528	\$ 1,160,000
June 2004	\$ 783,620	\$ 943,000
June 2003	\$ 908,403	\$ 1,200,000

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.

**CITY OF RANCHO SANTA MARGARITA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (CONTINUED)**

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING, (Continued)

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.

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

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

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

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Supplementary Schedules

City of Rancho Santa Margarita, California



Supplementary
Schedules

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds and Debt Service Fund

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

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

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

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

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

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

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

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

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

CITY OF RANCHO SANTA MARGARITA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

Special Revenue Funds			
	Gas Tax	Measure M	Air Quality Management District
Assets			
Cash and investments	\$ 790,281	\$ 219,894	\$ 216,505
Cash and investments with fiscal agent	-	-	-
Due from other governments	184,494	122,286	16,001
Interest receivable	2,968	869	772
Accounts receivable	-	-	-
Total assets	<u><u>\$ 977,743</u></u>	<u><u>\$ 343,049</u></u>	<u><u>\$ 233,278</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 22,588	\$ -	\$ -
Total liabilities	<u><u>22,588</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund balances:			
Restricted for debt service	-	-	-
Restricted for public safety	-	-	-
Restricted for public public works	<u><u>955,155</u></u>	<u><u>343,049</u></u>	<u><u>233,278</u></u>
Total fund balances	<u><u>955,155</u></u>	<u><u>343,049</u></u>	<u><u>233,278</u></u>
Total liabilities and fund balances	<u><u>\$ 977,743</u></u>	<u><u>\$ 343,049</u></u>	<u><u>\$ 233,278</u></u>

Special Revenue Funds				Debt Service Fund	
Traffic Congestion Relief Fund	Local Park Trust Fund	Supplemental Law Enforcement Services	PEG Fee Fund	Rancho Santa Margarita PFA	Totals
\$ 55,214	\$ 1,456,582	\$ 155,477	\$ 680,978	\$ -	\$ 3,574,931
-	-	-	-	114	114
-	-	-	-	-	322,781
201	6,081	595	2,501	-	13,987
-	-	-	-	-	-
<u>\$ 55,415</u>	<u>\$ 1,462,663</u>	<u>\$ 156,072</u>	<u>\$ 683,479</u>	<u>\$ 114</u>	<u>\$ 3,911,813</u>
<hr/>					
\$ -	\$ -	\$ 8,283	\$ 3,139	\$ -	\$ 34,010
-	-	8,283	3,139	-	34,010
<hr/>					
-	-	-	-	114	114
-	-	147,789	-	-	147,789
55,415	1,462,663	-	680,340	-	3,729,900
<u>55,415</u>	<u>1,462,663</u>	<u>147,789</u>	<u>680,340</u>	<u>114</u>	<u>3,877,803</u>
<hr/>					
<u>\$ 55,415</u>	<u>\$ 1,462,663</u>	<u>\$ 156,072</u>	<u>\$ 683,479</u>	<u>\$ 114</u>	<u>\$ 3,911,813</u>

**CITY OF RANCHO SANTA MARGARITA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds		
	Air Quality Management District		
	Gas Tax	Measure M	District
Revenues:			
Fees and permits	\$ -	\$ -	\$ -
Intergovernmental	1,259,380	707,882	62,264
Investment income	14,422	1,993	2,421
Total revenues	<u>1,273,802</u>	<u>709,875</u>	<u>64,685</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	266,252	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Total expenditures	<u>266,252</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1,007,550	709,875	64,685
Other financing sources (uses):			
Transfers in	27,220	-	-
Transfers out	(1,241,926)	(491,238)	(1,457)
Total financing sources (uses)	<u>(1,214,706)</u>	<u>(491,238)</u>	<u>(1,457)</u>
Net change in fund balances	(207,156)	218,637	63,228
Fund balances, beginning of year	1,162,311	124,412	170,050
Fund balances, end of year	<u>\$ 955,155</u>	<u>\$ 343,049</u>	<u>\$ 233,278</u>

Special Revenue Funds				Dept Service Fund		
Traffic Congestion Relief	Local Park Trust Fund	Supplemental Law Enforcement Services	PEG Fee Fund	Rancho Santa Margarita PFA	Totals	
\$ -	\$ 190,436	\$ -	\$ -	\$ -	\$ 190,436	
55,252	-	139,416	-	-	2,224,194	
163	21,853	1,996	10,230	3,794	56,872	
55,415	212,289	141,412	10,230	3,794	2,471,502	
-	-	-	157,734	-	157,734	
-	-	106,735	-	-	106,735	
-	-	-	-	-	266,252	
-	-	-	-	420,000	420,000	
-	-	-	-	314,838	314,838	
-	-	106,735	157,734	734,838	1,265,559	
55,415	212,289	34,677	(147,504)	(731,044)	1,205,943	
-	-	-	-	731,158	758,378	
-	(193,766)	-	-	(1,526,835)	(3,455,222)	
-	(193,766)	-	-	(795,677)	(2,696,844)	
55,415	18,523	34,677	(147,504)	(1,526,721)	(1,490,901)	
-	1,444,140	113,112	827,844	1,526,835	5,368,704	
\$ 55,415	\$ 1,462,663	\$ 147,789	\$ 680,340	\$ 114	\$ 3,877,803	

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

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

Special Revenue Funds

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

Debt Service Fund

- Debt Service

Capital Projects Fund

- Capital Projects

CITY OF RANCHO SANTA MARGARITA
GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL	ACTUAL AMOUNTS	POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental	\$ 1,349,731	\$ 1,623,851	\$ 1,259,380	\$ (364,471)
Investment income	7,192	7,192	14,422	7,230
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>1,356,923</u>	<u>1,631,043</u>	<u>1,273,802</u>	<u>(357,241)</u>
Expenditures:				
Public works - current	280,008	280,008	266,252	13,756
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>280,008</u>	<u>280,008</u>	<u>266,252</u>	<u>13,756</u>
Other financing sources (uses):				
Transfers in	-	-	27,220	27,220
Transfers out	(2,029,239)	(2,184,239)	(1,241,926)	942,313
	<hr/>	<hr/>	<hr/>	<hr/>
Total financing sources (uses)	<u>(2,029,239)</u>	<u>(2,184,239)</u>	<u>(1,214,706)</u>	<u>969,533</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(952,324)	(833,204)	(207,156)	626,048
Fund balances, beginning of year	1,162,311	1,162,311	1,162,311	-
Fund balances, end of year	<u>\$ 209,987</u>	<u>\$ 329,107</u>	<u>\$ 955,155</u>	<u>\$ 626,048</u>

CITY OF RANCHO SANTA MARGARITA
MEASURE M FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Intergovernmental	\$ 704,603	\$ 704,603	\$ 707,882	\$ 3,279
Investment income	3,541	3,541	1,993	(1,548)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>708,144</u>	<u>708,144</u>	<u>709,875</u>	<u>1,731</u>
Other financing sources (uses):				
Transfers out	(710,743)	(555,743)	(491,238)	64,505
	<hr/>	<hr/>	<hr/>	<hr/>
Total financing sources (uses)	<u>(710,743)</u>	<u>(555,743)</u>	<u>(491,238)</u>	<u>64,505</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(2,599)	152,401	218,637	66,236
	<hr/>	<hr/>	<hr/>	<hr/>
	124,412	124,412	124,412	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 121,813</u>	<u>\$ 276,813</u>	<u>\$ 343,049</u>	<u>\$ 66,236</u>

CITY OF RANCHO SANTA MARGARITA
AIR QUALITY MANAGEMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Intergovernmental	\$ 59,700	\$ 59,700	\$ 62,264	\$ 2,564
Investment income	300	300	2,421	2,121
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<hr/> 60,000	<hr/> 60,000	<hr/> 64,685	<hr/> 4,685
Other financing sources (uses):				
Transfers out	(20,000)	(20,000)	(1,457)	18,543
	<hr/>	<hr/>	<hr/>	<hr/>
Total financing sources (uses)	<hr/> (20,000)	<hr/> (20,000)	<hr/> (1,457)	<hr/> 18,543
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	40,000	40,000	63,228	23,228
Fund balances, beginning of year	170,050	170,050	170,050	-
Fund balances, end of year	<hr/> \$ 210,050	<hr/> \$ 210,050	<hr/> \$ 233,278	<hr/> \$ 23,228

CITY OF RANCHO SANTA MARGARITA
TRAFFIC CONGESTION RELIEF FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)	(NEGATIVE)
Revenues:					
Intergovernmental	\$	-	\$	\$	55,252
Investment income					163
Total revenues		-		55,415	55,415
Other Financing sources (uses):					
Transfers out		-			-
Total financing sources (uses)		-			-
Net change in fund balance		-		55,415	55,415
Fund balances, beginning of year		-			-
Fund balances, end of year	\$	-	\$	\$	55,415

CITY OF RANCHO SANTA MARGARITA
LOCAL PARK TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)	(NEGATIVE)
Revenues:					
Fees and peermits	\$ -	\$ -	\$ 190,436	\$ 190,436	
Investment income	-	-	21,853	21,853	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	-	212,289	212,289	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):					
Transfers out	(120,000)	(222,681)	(193,766)	28,915	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total financing sources (uses)	(120,000)	(222,681)	(193,766)	28,915	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(120,000)	(222,681)	18,523	241,204	
Fund balances, beginning of year	1,444,140	1,444,140	1,444,140	-	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 1,324,140</u>	<u>\$ 1,221,459</u>	<u>\$ 1,462,663</u>	<u>\$ 241,204</u>	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF RANCHO SANTA MARGARITA
SUPPLEMENTARY LAW ENFORCEMENT SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Intergovernmental	\$ 99,500	\$ 99,500	\$ 139,416	\$ 39,916
Investment income	500	500	1,996	1,496
 Total revenues	 100,000	 100,000	 141,412	 41,412
Expenditures:				
Public safety - current	130,809	130,809	106,735	24,074
 Total expenditures	 130,809	 130,809	 106,735	 24,074
 Net change in fund balances	 (30,809)	 (30,809)	 34,677	 65,486
Fund balances, beginning of year	113,112	113,112	113,112	-
 Fund balances, end of year	 \$ 82,303	 \$ 82,303	 \$ 147,789	 \$ 65,486

CITY OF RANCHO SANTA MARGARITA
PEG FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL	ACTUAL AMOUNTS	POSITIVE (NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 10,230	\$ 10,230
Total revenues	-	-	10,230	10,230
Expenditures:				
General government	280,000	280,000	157,734	122,266
Total expenditures	280,000	280,000	157,734	122,266
Net change in fund balances	(280,000)	(280,000)	(147,504)	132,496
Fund balances, beginning of year	827,844	827,844	827,844	-
	\$ 547,844	\$ 547,844	\$ 680,340	\$ 132,496

CITY OF RANCHO SANTA MARGARITA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 3,794	\$ 3,794
Total revenues	<u>-</u>	<u>-</u>	<u>3,794</u>	<u>3,794</u>
Expenditures:				
Debt Service:				
Principal retirement	420,000	420,000	420,000	-
Interest	314,838	314,838	314,838	-
Total expenditures	<u>734,838</u>	<u>734,838</u>	<u>734,838</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	734,838	734,838	731,158	\$ (3,680)
Transfers out	<u>-</u>	<u>-</u>	<u>(1,526,835)</u>	<u>\$ (1,526,835)</u>
Total financing sources (uses)	<u>734,838</u>	<u>734,838</u>	<u>(795,677)</u>	<u>(1,530,515)</u>
Net change in fund balances	-	-	(1,526,721)	(1,526,721)
Fund balances, beginning of year	1,526,835	1,526,835	1,526,835	-
Fund balances, end of year	<u>\$ 1,526,835</u>	<u>\$ 1,526,835</u>	<u>\$ 114</u>	<u>\$ (1,526,721)</u>

CITY OF RANCHO SANTA MARGARITA
CAPITAL PROJECTS FUND - MAJOR FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL	ACTUAL AMOUNTS	POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental	\$ 785,000	\$ 785,000	\$ 781,733	\$ (3,267)
Investment income	-	-	1,681	1,681
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>785,000</u>	<u>785,000</u>	<u>783,414</u>	<u>(1,586)</u>
Expenditures:				
Public works	3,743,000	3,845,681	2,393,558	1,452,123
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>3,743,000</u>	<u>3,845,681</u>	<u>2,393,558</u>	<u>1,452,123</u>
Other financing sources (uses):				
Transfers in	2,958,000	3,060,681	1,826,559	(1,234,122)
Transfers out	-	-	(27,220)	(27,220)
	<hr/>	<hr/>	<hr/>	<hr/>
Total financing sources (uses)	<u>2,958,000</u>	<u>3,060,681</u>	<u>1,799,339</u>	<u>(1,261,342)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	189,195	189,195
Fund balances, beginning of year				
Fund balances, beginning of year	3,621	3,621	3,621	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year				
Fund balances, end of year	<u>\$ 3,621</u>	<u>\$ 3,621</u>	<u>\$ 192,816</u>	<u>\$ 189,195</u>

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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.

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

	2018	2017	2016	2015**
GOVERNMENTAL ACTIVITIES				
Net Investment in				
Capital Assets	\$ 106,519,877	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951
Restricted for:				
Public Safety	147,789	113,112	99,309	109,554
Public Works	3,729,900	3,728,757	3,936,815	3,604,728
Debt Service	-	1,526,835	1,515,534	1,509,121
Unrestricted	<u>17,426,604</u>	<u>13,960,569</u>	<u>14,981,977</u>	<u>13,325,625</u>
Total Governmental Activities				
Net Position	<u><u>\$ 127,824,170</u></u>	<u><u>\$ 128,581,372</u></u>	<u><u>\$ 129,690,863</u></u>	<u><u>\$ 127,408,979</u></u>
PRIMARY GOVERNMENT				
Net Investment in				
Capital Assets	\$ 106,519,877	\$ 109,252,099	\$ 109,157,228	\$ 108,859,951
Restricted for:				
Public Safety	147,789	113,112	99,309	109,554
Public Works	3,729,900	3,728,757	3,936,815	3,604,728
Unrestricted	<u>17,426,604</u>	<u>13,960,569</u>	<u>14,981,977</u>	<u>13,325,625</u>
Total Primary Government				
Net Position	<u><u>\$ 127,824,170</u></u>	<u><u>\$ 128,581,372</u></u>	<u><u>\$ 129,690,863</u></u>	<u><u>\$ 127,408,979</u></u>

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

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

Source: City Finance Division, Comprehensive Annual Financial Report (2009-2018)

2014	2013	2012*	2011	2010	2009
\$ 108,436,257	\$ 111,018,064	\$ 108,216,333	\$ 111,200,329	\$ 112,583,691	\$ 111,994,564
115,371	117,440	137,441	95,880	128,859	138,057
3,703,419	3,012,689	2,468,544	3,481,064	4,925,379	4,581,004
2,357,303	2,351,627	848,392	852,271	854,699	853,179
14,065,311	12,381,485	17,147,323	14,328,948	13,078,887	13,623,344
\$ 128,677,661	\$ 128,881,305	\$ 128,818,033	\$ 129,958,492	\$ 131,571,515	\$ 131,190,148

\$ 108,436,257	\$ 111,018,064	\$ 108,216,333	\$ 111,200,329	\$ 112,583,691	\$ 111,994,564
115,371	117,440	137,441	95,880	128,859	138,057
3,703,419	3,012,689	2,468,544	3,481,064	4,925,379	4,581,004
14,065,311	12,381,485	17,147,323	14,328,948	13,078,887	13,623,344
\$ 128,677,661	\$ 128,881,305	\$ 128,818,033	\$ 129,958,492	\$ 131,571,515	\$ 131,190,148

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

	2018	2017	2016	2015
EXPENSES				
Governmental Activities:				
General Government	\$ 4,391,682	\$ 2,700,266	\$ 3,421,649	\$ 3,698,159
Building & Planning	1,136,247	1,090,593	1,169,254	998,296
Public Safety	9,513,766	9,644,961	7,572,663	8,105,354
Public Works	5,978,125	6,162,890	4,718,605	7,521,705
Mitigation Obligation				
Capital Outlay	-	925	-	-
Principal Retirement	-	967,536	-	-
Interest Expense	308,581	325,176	341,109	355,077
Bond Issuance Costs	-	-	-	-
Total Governmental Activities Expenses	<u>21,328,401</u>	<u>20,892,347</u>	<u>17,223,280</u>	<u>20,678,591</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
General Government	476,159	424,862	431,449	405,724
Building and Planning	744,275	660,136	786,225	556,526
Public Safety	138,224	142,914	163,463	198,883
Public Works	42,663	83,792	59,890	50,079
Operating Contributions and Grants	3,262,849	3,114,256	2,545,411	3,259,584
Capital Contributions and Grants	12,927	-	-	-
Total Governmental Activities Program Revenues	<u>4,677,097</u>	<u>4,425,960</u>	<u>3,986,438</u>	<u>4,470,796</u>
Total Net Revenues (Expenses)	<u>\$ (16,651,304)</u>	<u>\$ (16,466,387)</u>	<u>\$ (13,236,842)</u>	<u>\$ (16,207,795)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 7,110,720	\$ 6,746,586	\$ 6,534,986	\$ 6,235,194
Sales Taxes	6,658,452	6,669,064	6,809,341	6,037,535
Real Property Transfer Taxes	355,744	362,285	333,339	300,415
Motor Vehicle License Fees	25,583	-	-	-
Motor Vehicle in-lieu tax, unrestricted intergovernmental	-	-	-	-
Prop 1A, unrestricted intergovernmental	-	-	-	-
Franchise fees	1,368,975	1,380,895	1,499,296	1,516,529
Investment Income	284,016	147,992	103,995	66,916
Contribution from other government entity - Settlement Agreement	-	-	-	-
Other	126,795	50,074	237,769	1,785,010
Total Governmental Activities	<u>15,930,285</u>	<u>15,356,896</u>	<u>15,518,726</u>	<u>15,941,599</u>
Changes in Net Position	<u>\$ (721,019)</u>	<u>\$ (1,109,491)</u>	<u>\$ 2,281,884</u>	<u>\$ (266,196)</u>

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

Source: City Finance Division, Comprehensive Annual Financial Report (2009-2018)

	2014		2013		2012		2011		2010		2009
\$	3,867,419	\$	3,888,959	\$	3,880,315	\$	3,774,471	\$	4,180,760	\$	4,542,993
1,056,954		1,100,413		948,779		1,147,306		1,075,710		1,064,493	
7,756,218		7,574,596		7,564,128		7,527,342		7,829,913		8,040,476	
5,523,014		5,240,653		4,431,877		6,462,078		4,601,904		4,786,938	
							-				-
	-		484,024		448,843		-		-		-
	-		-		-		-		-		-
	365,344		329,313		528,210		539,942		550,222		560,110
	-		236,018		-		-		-		-
	<u>18,568,949</u>		<u>18,853,976</u>		<u>17,802,152</u>		<u>19,451,139</u>		<u>18,238,509</u>		<u>18,995,010</u>

370,213	332,013	391,960	421,986	373,889	345,078
603,515	805,777	535,533	570,911	470,654	482,309
173,246	194,812	281,666	253,103	269,325	274,251
50,058	103,438	225,528	106,590	31,440	61,750
3,402,535	3,561,137	2,965,391	3,169,109	3,170,366	2,758,111
-	-	-	-	-	-
<u>4,599,567</u>	<u>4,997,177</u>	<u>4,400,078</u>	<u>4,521,699</u>	<u>4,315,674</u>	<u>3,921,499</u>
<u>\$ (13,969,382)</u>	<u>\$ (13,856,799)</u>	<u>\$ (13,402,074)</u>	<u>\$ (14,929,440)</u>	<u>\$ (13,922,835)</u>	<u>\$ (15,073,511)</u>

\$	2,129,782	\$	2,042,934	\$	1,999,106	\$	2,037,141	\$	1,465,724	\$	2,199,059
6,022,595		5,827,740		5,348,047		5,167,358		4,481,302		5,145,381	
284,486		271,322		230,916		235,626		217,950		206,466	
-		-		-		-		-		-	
3,773,829		3,734,052		3,807,220		3,790,596		3,820,297		4,012,068	
-		-		-		-		598,935		-	
1,450,159		1,419,802		1,414,887		1,445,587		1,417,649		1,453,986	
59,131		51,058		120,130		99,019		123,100		422,358	
-		-		-		-		2,033,649		-	
45,216		573,704		1,241,844		541,090		145,595		266,475	
<u>13,765,198</u>		<u>13,920,612</u>		<u>14,162,150</u>		<u>13,316,417</u>		<u>14,304,201</u>		<u>13,705,793</u>	
<u>\$ (204,184)</u>		<u>\$ 63,813</u>		<u>\$ 760,076</u>		<u>\$ (1,613,023)</u>		<u>\$ 381,366</u>		<u>\$ (1,367,718)</u>	

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

	2018	2017	2016	2015
GENERAL FUND				
Nonspendable	\$ 250	\$ 2,665	\$ 2,821	\$ 2,251
Restricted	-	-	-	-
Committed	434,499	788,647	1,460,181	553,484
Assigned	7,769,118	7,524,985	9,300,558	9,611,627
Unassigned	10,510,122	9,237,888	8,859,349	7,999,887
Total General Fund	<u>\$ 18,713,989</u>	<u>\$ 17,554,185</u>	<u>\$ 19,622,909</u>	<u>\$ 18,167,249</u>
ALL OTHER GOVERNMENTAL FUNDS				
Committed for encumbrances	\$ -	\$ -	\$ -	\$ -
Restricted for debt service	114	1,526,835	1,515,534	1,509,121
Restricted for public safety/public works	3,877,689	3,841,869	4,036,124	3,714,282
Assigned, Reported in:				
Capital Project Funds	192,816	3,621	204,377	102,905
Unassigned, Reported in:				
Capital Project Funds	-	-	-	-
Other	-	-	-	-
Total All Other Governmental Funds	<u>\$ 4,070,619</u>	<u>\$ 5,372,325</u>	<u>\$ 5,756,035</u>	<u>\$ 5,326,308</u>

Source: City Finance Division, HdL, Coren & Cone, Comprehensive Annual Financial Report (2009-2018)

2014	2013	2012	2011	2010	2009
\$ 6,524	\$ 11,026	\$ 183,016	\$ -	\$ -	\$ -
-	-	58,982	-	-	-
1,694,971	61,353	172,428	55,892	59,085	37,810
8,170,086	8,681,811	7,877,157	7,421,985	13,463,475	13,955,115
7,044,803	7,388,653	7,618,809	7,327,526	3,192,501	2,639,821
<u>\$ 16,916,384</u>	<u>\$ 16,142,843</u>	<u>\$ 15,910,392</u>	<u>\$ 14,805,403</u>	<u>\$ 13,522,560</u>	<u>\$ 13,992,925</u>
\$ 520,086	\$ 318,917	\$ 188,906	\$ 28,839	\$ 1,113,041	\$ 87,264
2,357,303	2,351,627	848,392	852,271	854,699	853,178
3,818,790	3,130,129	2,547,003	2,465,098	-	-
 80,923	 112,043	 894,372	 -	 -	 -
 -	 -	 -	 1,083,007	 748,696	 1,991,978
 -	 -	 -	 -	 -	 -
<u>\$ 6,777,102</u>	<u>\$ 5,912,716</u>	<u>\$ 4,478,673</u>	<u>\$ 4,429,215</u>	<u>\$ 2,716,436</u>	<u>\$ 2,932,420</u>

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

	2018	2017	2016	2015
REVENUES				
Taxes	\$ 14,124,916	\$ 13,756,201	\$ 13,657,845	\$ 8,537,734
Fees & Permits	2,156,495	2,557,778	2,196,437	2,043,835
Intergovernmental	3,297,047	2,255,652	2,421,752	6,979,269
Charges for Services	691,596	747,230	747,093	652,998
Investment Income	284,016	147,992	103,995	66,916
Fines, forfeits and penalties	138,224	142,914	163,463	198,883
Other	126,795	50,074	237,769	1,785,010
Total Revenues	<u>20,819,089</u>	<u>19,657,841</u>	<u>19,528,354</u>	<u>20,264,645</u>
EXPENDITURES				
Current:				
General Government	3,965,491	3,725,068	3,522,990	3,693,121
Building and Planning	1,132,872	1,078,723	1,150,918	993,466
Public Safety	9,513,766	9,644,961	7,565,851	8,104,085
Public Works	4,765,369	5,825,294	4,508,164	5,060,120
Capital Outlay	-	132,355	162,907	1,883,395
Debt Service:				
Principal Retirement	1,268,655	1,372,536	385,000	370,000
Interest	314,838	331,338	347,137	360,387
Bond Issuance Costs		-	-	-
Total Expenditures	<u>20,960,991</u>	<u>22,110,275</u>	<u>17,642,967</u>	<u>20,464,574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(141,902)</u>	<u>(2,452,434)</u>	<u>1,885,387</u>	<u>(199,929)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,785,289	4,509,192	3,306,078	4,946,538
Transfers Out	(4,785,289)	(4,509,192)	(3,306,078)	(4,946,538)
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Total Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(141,902)</u>	<u>(2,452,434)</u>	<u>1,885,387</u>	<u>(199,929)</u>
Fund Balances, beginning of year	\$ 22,926,510	\$ 25,378,944	\$ 23,493,557	\$ 23,693,486
Fund Balances, end of year	<u>\$ 22,784,608</u>	<u>\$ 22,926,510</u>	<u>\$ 25,378,944</u>	<u>\$ 23,493,557</u>
DEBT SERVICE AS A PERCENTAGE OF NON CAPITAL EXPENDITURES				
	8.17%	8.40%	4.37%	4.09%

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

Source: City Finance Division, Comprehensive Annual Financial Report (2009-2018)

	2014		2013		2012		2011		2010		2009
\$	8,436,863	\$	8,141,996	\$	7,578,069	\$	7,440,125	\$	6,763,911	\$	7,550,906
2,556,767		2,396,719		2,072,595		1,793,566		1,655,184		1,736,087	
6,965,839		6,215,077		6,614,126		6,959,705		6,990,663		6,770,179	
666,155		805,971		657,598		755,808		638,448		607,036	
59,131		51,058		120,130		99,019		123,100		422,358	
173,246		194,812		277,866		248,803		269,325		274,251	
45,216		1,243,584		571,964		541,090		145,595		266,475	
18,903,217	19,049,217		17,892,348		17,838,116		16,586,226		17,627,292		
3,820,255		3,857,850		3,856,873		3,739,202		4,097,146		4,496,860	
1,048,181		1,096,348		954,291		1,142,245		1,066,318		1,059,697	
7,755,684		7,573,874		7,560,345		7,488,564		7,823,666		8,019,896	
3,627,789		3,435,804		2,642,796		4,193,615		2,340,380		2,545,637	
213,143		725,596		887,336		633,846		549,624		3,831,109	
430,000		315,000		305,000		295,000		290,000		280,000	
370,238		399,910		531,260		542,523		552,760		562,385	
		236,018		-		-		-		-	
17,265,290	17,640,400		16,737,901		18,034,995		16,719,894		20,795,584		
1,637,927		1,408,817		1,154,447		(196,879)		(133,668)		(3,168,292)	
2,852,635		3,981,812		2,630,493		3,495,811		2,361,221		2,592,624	
(2,852,635)		(3,981,812)		(2,630,493)		(3,495,811)		(2,361,221)		(2,592,624)	
-		11,230,000		-		-		-		-	
-		571,905		-		-		-		-	
-		(11,544,227)		-		-		-		-	
-		257,678		-		-		-		-	
1,637,927	1,666,495		1,154,447		(196,879)		(133,668)		(3,168,292)		
22,055,559	20,389,064		19,234,618		19,431,497		19,565,165		22,733,457		
\$ 23,693,486	\$ 22,055,559		\$ 20,389,065		\$ 19,234,618		\$ 19,431,497		\$ 19,565,165		
4.92%		5.96%		5.57%		5.06%		5.50%		5.23%	

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

	2018	2017	2016	2015
Apparel Stores	*	\$ 9,594	\$ 9,782	\$ 9,985
General Merchandise	*	55,117	56,144	56,123
Food Stores	*	32,078	30,261	29,617
Eating & Drinking Places:	*	84,150	80,400	76,431
Building Materials	*	52,065	48,366	45,729
Auto Dealers & Supplies	*	162,638	145,747	140,419
Service Stations	*	46,999	44,390	50,887
Other Retail Stores	*	66,317	71,397	75,081
All Other Outlets	*	155,087	173,070	150,947
 Total	 *	 \$ 664,045	 \$ 659,557	 \$ 635,219
City Direct Sales Tax Rate	7.75%	7.75%	8.0%	8.0%

*Data for fiscal year 2017-2018 not available at this time.

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

Source: California State Board of Equalization, HdL Companies

2014	2013	2012	2011	2010	2009
\$ 9,951	\$ 10,214	\$ 9,956	\$ 9,443	\$ 9,964	\$ 9,927
56,412	58,019	58,370	59,246	57,210	56,689
28,618	27,470	24,858	22,944	22,951	23,739
72,883	70,233	65,829	58,618	56,486	56,962
44,597	41,165	38,570	37,859	35,300	33,287
131,435	130,748	124,732	104,180	80,901	78,186
59,993	61,237	66,902	64,086	50,822	42,070
69,669	70,055	70,481	65,901	63,199	64,585
139,894	129,972	119,106	110,460	103,999	98,674
\$ 613,452	\$ 599,113	\$ 578,804	\$ 532,737	\$ 480,832	\$ 464,119
8.0%	8.0%	7.5%	7.5%	7.5%	8.5%

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

Fiscal Year	Sales and Use Tax	Property Tax	Real Property Transfer	Total
2018	\$ 6,658,452	\$ 7,110,720	\$ 355,744	\$ 14,124,916
2017	6,669,064	6,745,586	362,285	13,776,935
2016	6,809,341	6,534,986	333,339	13,677,666
2015	6,037,535	2,199,784	300,415	8,537,734
2014	6,022,595	2,129,782	284,486	8,436,863
2013	5,827,740	2,042,934	271,322	8,141,996
2012	5,348,047	1,999,106	230,916	7,578,069
2011	5,167,358	2,037,141	235,626	7,440,125
2010	4,481,302	2,064,659	217,950	6,763,911
2009	5,145,381	2,199,059	206,466	7,550,906

Source: City Finance Division, Comprehensive Annual Financial Report (2009-2018)

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Miscellaneous Property	Less: Tax-Exempt Property	Total Taxable Assessed Value (1)	Total Direct Rate
2018	\$ 6,917,831,325	\$ 623,012,917	\$ 485,286,641	\$ 221,676,640	-	\$ 8,247,807,523	2.98%
2017	6,644,658,255	543,292,229	461,597,130	222,514,928	-	7,872,062,542	2.98%
2016	6,399,038,568	500,361,671	451,284,423	221,370,319	-	7,572,054,981	2.98%
2015	6,078,637,661	493,114,301	438,561,989	219,863,058	-	7,230,177,009	2.98%
2014	5,633,393,974	487,305,663	429,694,341	214,774,326	-	6,765,168,304	2.98%
2013	5,537,751,127	485,112,928	412,328,785	244,030,547	-	6,679,223,387	2.98%
2012	5,531,375,422	471,169,396	408,247,722	214,027,762	-	6,624,820,302	2.98%
2011	5,494,764,386	477,885,672	413,512,495	216,438,704	-	6,602,601,257	2.98%
2010	5,446,579,878	474,216,684	427,647,694	268,050,952	-	6,616,495,208	2.98%
2009	5,732,867,423	380,038,052	305,419,495	479,713,183	-	6,898,038,153	2.98%
2008	5,819,200,351	373,671,244	286,424,261	497,659,141	-	6,976,954,997	2.98%

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

Source: HdL Companies

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

Agency	2017/18	2016/17	2015/16	2014/15
Basic Levy^{1,5}	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.00800	0.00843	0.00845	0.00900
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350
Metropolitan Water District Annex	0.00350	0.00350	0.00350	0.00350
Saddleback Valley Unified	0.02365	0.02688	0.03008	0.02806
Santa Margarita Water District	0.85900	0.88660	1.18070	2.05440
Total Direct & Overlapping² Tax Rates	1.89765	1.92891	2.22623	3.09846
 City's Share of 1% Levy Per Prop 13³	0.02978	0.02978	0.02978	0.02978
Total Direct Rate^{4,6}	0.02978	0.02978	0.02978	0.02978

Notes:

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

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

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

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

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

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

Source: Orange County Assessor 2008/09 - 2017/18 Tax Rate Table

2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.00972	0.01171	0.01101	0.01105	0.01077	0.00971
0.00350	0.00350	0.00370	0.00370	0.00430	0.00430
0.00350	0.00350	0.00370	0.19120	0.19180	0.19180
0.03207	0.03265	0.03163	0.03194	0.03043	0.02834
2.35710	4.67620	4.21220	4.22640	4.98790	4.03430
3.40589	5.72756	5.26224	5.46429	6.22520	5.26845
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978
0.02978	0.02978	0.02978	0.02978	0.02978	0.02978

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

Taxpayer	2017/18			2008/09		
	Total Assessed Value	Percentage of Total City		Total Assessed Value	Percentage of Total City	
		Taxable Assessed Value	Rank		Taxable Assessed Value	Rank
Applied Medical Reso. Corp	\$ 218,047,481	2.64%	1	\$ 40,704,115	0.59%	4
El Prado LLC	77,658,350	0.94%	2	46,965,375	0.68%	2
BEX Portfolio Inc*	68,102,653	0.83%	3	44,243,973	0.64%	3
Plaza El Paseo Center, LLC	56,367,000	0.68%	4			
Villa La Paz Partners LP	40,970,333	0.50%	5	36,041,378	0.52%	5
Antonio Acquisition Company	38,555,779	0.47%	6	33,661,730	0.49%	6
EQR Skyview LP	36,160,990	0.44%	7			
CPI Grep AA I Buena Vida Owner	30,250,000	0.37%	8			
FG RSM SR Apartment LP	29,448,267	0.36%	9	28,048,444	0.41%	7
KRC Santa Margarita II LLC**	27,619,733	0.33%	10	24,480,953	0.35%	9
Crescent LP				23,759,862	0.34%	10
Cox Com, Inc				58,793,172	0.85%	1
TIS Equities IX LLC				26,003,293	0.38%	8
 Totals	 \$ 623,180,586	 7.56%		 \$ 362,702,295	 5.26%	

* Used to be BRE Properties

** Used to be KSL Santa Margarita Properties II LP

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

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2018	\$ 2,379,744	\$ 2,339,536	98.31%	\$ 13,463	\$ 2,365,385	99.40%
2017	2,252,964	2,217,196	98.41%	15,584	2,238,684	99.37%
2016	2,180,731	2,136,300	97.96%	15,343	2,166,130	99.33%
2015	2,071,571	2,006,282	96.85%	15,250	2,057,169	99.30%
2014	1,943,941	1,894,716	97.47%	21,493	1,929,274	99.25%
2013	1,915,687	1,859,246	97.05%	31,560	1,897,089	99.03%
2012	1,898,324	1,778,174	93.67%	6,180	1,872,561	98.64%
2011	1,885,068	1,857,054	98.51%	62,096	1,857,053	98.51%
2010	1,886,013	1,234,269	65.44%	91,579	1,845,196	97.84%
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%

Source: O.C. Auditor-controller, City Finance Division, Comprehensive Annual Financial Report (2007-2016)

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

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Total Governmental Activities	As % of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
2018	\$ -	\$ 9,642,120	\$ -	9,726,464	0.44%	200.12
2017	-	10,089,353	-	11,022,352	0.46%	226.79
2016	-	10,521,587	-	12,422,122	0.50%	256.04
2015	-	10,934,000	-	12,834,535	0.54%	262.88
2014	-	11,331,000	-	13,231,535	0.57%	270.95
2013	-	11,788,000	-	13,688,535	0.59%	281.95
2012	-	-	11,360,000	13,260,535	0.59%	275.81
2011	-	-	11,665,000	13,565,535	0.58%	280.99
2010	-	-	11,960,000	13,860,535	0.55%	277.52
2009	-	-	12,250,000	14,150,535	0.55%	285.05
2008	-	-	12,530,000	14,678,991	0.57%	296.54

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

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

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

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

Fiscal Year	Population	Total General Obligation Bonds	Less Debt Service Fund ⁽¹⁾	Net Bonded Debt	Percent of Debt to Assessed Value⁽²⁾	Debt per Capita
2018	48,602	\$ -	\$ -	\$ -	0.00%	\$ -
2017	48,602	-	-	-	0.00%	-
2016	48,516	-	-	-	0.00%	-
2015	48,823	-	-	-	0.00%	-
2014	48,834	-	-	-	0.00%	-
2013	48,550	-	-	-	0.00%	-
2012	48,079	-	-	-	0.00%	-
2011	48,278	-	-	-	0.00%	-
2010	49,945	-	-	-	0.00%	-
2009	49,643	-	-	-	0.00%	-
2008	49,501	-	-	-	0.00%	-

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

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

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

City of Rancho Santa Margarita
Direct & Overlapping Bonded Debt
June 30, 2018

	Rate Only Applies to	Gross Bonded Debt Balance	Percent Applicable to City	Net Bonded Debt
Direct Debt				
A65.01 City of RSM Public Financing Authority		\$ 9,220,000	100%	\$ 9,220,000
A65.01 City Hall and Community Center		\$ 422,120	100%	\$ 422,120
Total Direct Debt				9,642,120
Overlapping Debt				
628.01 Capistrano Unified SFID#1 1999 Bond#2002C		17,090,000	1.342%	229,359
629.01 Capistrano Unified SFID#1 1999 Bond#2001B		7,408,787	1.342%	99,431
6AB.01 Saddleback Valley USD 2004 Bond#2004A		63,080,000	14.166%	8,936,143
6AW.01 Saddleback Valley USD 2004 Series B		33,055,000	14.166%	4,682,692
6CZ.01 Saddleback Valley USD 20113 REF		7,530,000	14.166%	1,066,727
6DK.01 Saddleback Valley USD GOB EL 2014, Series 2016A		9,700,000	14.166%	1,374,137
*C55.14 Metropolitan Water District		12,318,324	1.663%	204,876
C76.56 Santa Margarita Water ID#4-Bond 1978 Bond	Land	33,705,000	36.398%	12,267,935
C76.57 Santa Margarita Water ID#4A-Bond 1984 Bond	Land	5,530,000	100.000%	5,530,000
C76.58 Santa Margarita Water ID#3-Bond 1978 Bond	Land	6,500,000	99.867%	6,491,370
C76.61 Santa Margarita Water ID#4B-Bond 1984 Bond	Land	7,845,000	0.487%	38,184
Total Overlapping Debt				40,920,854
Total Direct and Overlapping Debt				\$ 50,562,974

2017/18 Assessed Valuation: \$8,247,774,475** after deducting \$0 Incremental Value.

Debt To assessed Valuation Ratios:	Direct Debt	0.12%
	Overlapping Debt	0.50%
	Total Debt	0.62%

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

** This amount does not include net aircraft values totaling \$33,048.

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

Source: HdL Companies

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City of Rancho Santa Margarita

Legal Debt Margin

Last Ten Fiscal Years

	2018	2017	2016	2015
Assessed Valuation	\$ 8,247,807,523	\$ 7,872,062,542	\$ 7,572,054,981	\$ 7,230,177,009
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 2,061,951,881	\$ 1,968,015,636	\$ 1,893,013,745	\$ 1,807,544,252
Debit Limit Percentage	15%	15%	15%	15%
Debt Limit	\$ 309,292,782	\$ 295,202,345	\$ 283,952,062	\$ 271,131,638
Total Net Debt Applicable to Limit:				
General Obligation Bonds	<u>\$ 309,292,782</u>	<u>\$ 295,202,345</u>	<u>\$ 283,952,062</u>	<u>\$ 271,131,638</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%

Note:

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

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

2014	2013	2012	2011	2010	2009
\$ 6,765,168,304	\$ 6,679,223,387	\$ 6,624,820,302	\$ 6,602,601,257	\$ 6,616,495,208	\$ 6,898,038,153
25%	25%	25%	25%	25%	25%
\$ 1,691,292,076	\$ 1,669,805,847	\$ 1,656,205,076	\$ 1,650,650,314	\$ 1,654,123,802	\$ 1,724,509,538
15%	15%	15%	15%	15%	15%
\$ 253,693,811	\$ 250,470,877	\$ 248,430,761	\$ 247,597,547	\$ 248,118,570	\$ 258,676,431
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 253,693,811</u>	<u>\$ 250,470,877</u>	<u>\$ 248,430,761</u>	<u>\$ 247,597,547</u>	<u>\$ 248,118,570</u>	<u>\$ 258,676,431</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year	Population	Personal Income⁽¹⁾	Per Capita Personal Income	Income per Median Household	Median Age	School Enrollment	Unemployment Rate
		(in thousands)					
2018	48,602	\$ 2,200,245	\$ 45,270	\$ 104,556	36.8	5,450	1.90%
2017	48,602	2,182,109	44,897	105,328	36.7	6,019	2.30%
2016	48,516	2,085,270	42,981	104,952	35.8	5,814	2.60%
2015	48,823	2,025,227	41,481	102,821	35.2	6,721	3.20%
2014	48,834	1,978,412	40,513	102,975	34.7	6,572	3.20%
2013	48,550	1,996,133	41,115	96,266	34.6	6,354	3.60%
2012	48,079	1,922,382	39,819	97,853	34.1	6,255	5.60%
2011	48,278	2,000,497	40,054	96,503	33.5	6,143	6.20%
2010	49,945	2,161,429	43,539	100,166	32.7	5,965	5.80%
2009	49,643	2,241,418	45,280	97,744	31.9	5,842	5.50%
2008	49,501	2,205,188	44,725	106,222	31.9	5,488	3.80%
2007	49,306	1,535,550	31,143	103,028	31.9	5,454	2.60%

(1) Estimated for 2018

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

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

Employer	2018		2009	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
Applied Medical	2,700	8.62%	1,249	4.28%
O'Connell Landscape	1,000	3.19%	1,090	3.73%
Saddleback Valley School District	288	0.92%	550	1.88%
Lucas & Mercier Construction	250	0.80%	567	1.94%
Control Components Inc. (CCI)	200	0.64%	370	1.27%
Target Corporation	255	0.81%	240	0.82%
Car Sound Exhaust System, Inc.	150	0.48%	210	0.72%
Capistrano Unified School District	215	0.69%	200	0.68%
PADI	180	0.57%	170	0.58%
Santa Margarita Catholic H.S.	175	0.56%	200	0.68%

Source: City Finance Division, Development Services

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

FUNCTION	Full-Time and Part-Time Employees as of June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
City Manager										
Full-Time	3.00	3.00	3.00	2.50	1.50	2.00	2.00	2.00	3.00	3.00
City Clerk										
Full-Time	2.50	2.80	2.80	2.80	3.40	2.80	2.80	2.80	2.60	2.60
Human Resources										
Full-Time	1.20	1.00	2.00	2.00	2.00	1.25	-	-	-	-
Finance										
Full-Time	3.80	3.80	3.80	3.80	3.58	4.08	-	-	-	-
Police Services										
Full-Time	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Bldg./Planning										
Full-time	5.60	5.60	5.60	5.60	3.85	3.00	3.00	3.75	3.60	3.50
Engr./Pub. Works										
Full-Time	4.50	4.50	4.50	4.50	3.50	3.00	3.00	3.00	3.00	3.00
Comm. Services										
Full-Time	6.40	6.40	6.40	6.40	6.37	6.25	-	-	-	-
Admin. Services										
Full-Time	-	-	-	-	-	-	11.32	11.07	14.10	8.60
Total	27.00	27.10	29.10	28.60	25.20	23.38	23.12	23.62	27.30	21.70

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

Source: City Finance Division, City Human Resources, Adopted Operating Budget and Capital Improvement Plan FY 2017-2018

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

FUNCTION	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government										
Civic Center Building	1	1	1	1	1	1	1	1	1	1
Police Services										
Support Vehicles	1	1	1	1	1	1	1	1	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	3
Public Works										
Streets (Miles)	99	99	99	99	99	99	99	99	99	99
Traffic Signals	159	159	159	159	159	159	159	159	159	159
Community Services										
Dog Parks	1	1	1	1	1	1	1	1	1	1
Skate Parks	1	1	1	1	1	1	1	1	1	1

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

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

FUNCTION	2018	2017	2016	2015
General Government				
Financial Reports & Audits Completed	220	109	111	106
Checks/Wire Transfers	2,535	1,654	1,482	1,670
Police Services				
Physical Arrests	*	327	282	329
Parking Citations	*	1,722	1,502	1,365
Traffic Citations	*	143	136	402
Public Works				
Street Paving (miles)	26.53	8.44	8.07	9.45
Sidewalks replaced (sq. ft.)	270	7,225	6,358	10,832
Curb refurbished (linear feet)	21	300	24,953	14,953
Traffic signs replaced/installed	571	353	322	337
Pavement Condition Index (70 = min. acceptable)	82.5	78.6	81.6	81.5
Building and Planning				
Building Permits Issued	1,572	1,538	1,671	1,279
Building Inspections Completed	3,432	3,048	3,422	2,515
Plan Checks Performed	285	337	413	328
Community Services				
Recreational & Instructional Classes Offered	825	825	825	825
Senior Mobility Ride Vouchers	335	300	990	989
Community Events Attendance	21,000	20,000	19,000	18,000
Community Magazine Publications	3	3	3	3

* Data not readily available.

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

2014	2013	2012	2011	2010	2009
117	62	49	15	12	12
1,768	1,713	1,759	1,645	2,502	1,664
377	766	1,035	1,317	1,054	1,226
1,042	1,516	1,120	1,613	2,168	2,308
1,469	1,026	1,497	3,184	2,627	3,928
23	92	8	13	30	6
4,809	-	1,025	3,973	8,585	4,000
280	13,351	15,500	19	1,614	23,000
262	291	600	56	458	536
81.5	78.5	79.2	77.9	76.5	76.5
1,051	1,145	1,026	782	764	807
2,278	2,140	2,387	2,127	1,801	1,953
279	263	194	223	185	126
775	773	725	712	460	134
939	1,171	665	609	623	422
18,000	18,000	17,500	15,000	17,000	30,500
3	3	3	3	3	3

City of Rancho Santa Margarita
Miscellaneous Statistics
June 30, 2018

Geographic Location:	The City of Rancho Santa Margarita is located 58 miles south east of Los Angeles and 450 miles south of San Francisco.
Population:	48,602
Area in square miles:	13
Form of Government:	Council-Manager
Date of Incorporation:	January 1, 2000
Number of Full Time Employees:	22
Public Safety:	
Police Department	Under contract with the Orange County Sheriff's Department
Fire Department	Under contract with the Orange County Fire Authority
Library	One branch, Orange County Public Library System
Recreation:	21 Privately owned and operated parks 1 County owned and operated park 2 Privately owned golf courses
Schools:	
Elementary Schools	11
Middle Schools	2
High Schools	1
Master Home Owners' Associations	7
Miles of Streets	99.5 miles
Number of Streetlights	159

Source: City Finance Division

City of Rancho Santa Margarita

California